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ON

TAXES,

OR

PUBLIC REVENUE.

(9)

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ON

TAXES,

OR

PUBLIC REVENUE;

THE

ULTIMATE INCIDENCE OF THEIR PAYMENT,

THEIR

DISBURSEMENT,

AND THE

SEATS OF THEIR

ULTIMATE CONSUMPTION.

BY [redacted]

THE HON. EAST INDIA COMPANY.

" Il n'y a rien que la sagesse et la prudence doivent plus regler, que cette portion qu'on ote, et cette portion qu'on laisse aux sujets."

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LONDON:

SMITH, ELDER AND CO. CORNHILL.

1829.

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ADVERTISEMENT.

It is proper to apprise the reader of the following sheets, that they are printed *verbatim* from the original edition published in Calcutta in 1827; and that they form only the first part of a work on the important subject of taxation; on which the author has been some time engaged. The prejudicial effects necessarily resulting from the publication of any work by *piecemeal* are too obvious to have been overlooked by the editor; but, on the other hand, the increasing popularity of a science, (which, for want of a more definite denomination, is still called Political Economy,)

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makes it the imperative duty of every friend of mankind to disseminate without delay any new discovery, calculated to correct its errors or confirm its truths.

Being then convinced himself, that even this *preliminary portion* of a work in progress contains *many* such discoveries, the editor hastens to present it to the public; and feels confident that the unprejudiced reader will agree with him in opinion that the author has diffused much new light on the great questions discussed; that he has detected important errors in the doctrines of the somewhat *too popular* schools of RICARDO, and his *over-zealous* disciple, M'CULLOCH; and that, in fact, by an original review, and deep study of the theories of these and other dissenters from the orthodox principles of the founder of the science, ADAM SMITH, he has not only exposed the fallacies and blunders of the modern economists, but, by clearing away a few real or apparent discrepancies in the doctrines of their

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GREAT MASTER, he has actually laid the foundation of A NEW SYSTEM OF POLITICAL ECONOMY, which, the more it is examined, will be found approximating nearer to perfection than the most perfect of its predecessors.

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" 20 - 12 from top for "being" read "could"
" 107 - Note for "Doctor Smith thought there different" read "Doctor Smith never thought them different"
" 134 - 14 from Bottom for "employed" read employs"
" 133 - 13 from Bottom for "importing" read "importing"
" 145 - 9 from Bottom for "in order to purchase" read "or to purchase"
" 226 - 9 from bottom for "complexity" read "complicity"
" 342 - 5 from top for "unformed" read "formed"
" 157 - 5 from bottom for "remove" read "secure"
159 - 5 from top for "occupy" read "employ"

ERRATA.

Page 41. line 3 from bottom, *for* former *read* farmer.
42 note, line 7 from bottom, *for* than *read* that.
60 line 5, *the quotation ends at* Egypt;"
63 note, line 7 from bottom, *for* states *read* state.
65 line 14 *for* become *read* became.
262 .... 4 from bottom, *for* Low's scheme *read* Law's scheme.

174 - 15 from bottom for "employment" read "fulfilment"
211 - 14 from top for "no advantage" read "a advantage"
161 - 13-14-19 from the top for "in demand" read "demand"
277 - 7 from the top for "our ifsue" read "our issue"
131 - 9 from the bottom for "charthis" read "outline"
238 - 12 from top for "nations" read "nation"
240 - 5 from bottom for "pay all" read "pay to all"
267 - 1 from bottom for "County" read "Country"
296 - 1 from bottom for "former" read "farmer"
301 - 15 from top for "employed" read "employs"
314 - 3 from bottom for "there" read "these"

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INTRODUCTION.

WITH regard to the ultimate incidence of taxes, there have been two schools of political economy: the first, that of M. Quesnay; the second, that of Mr. Ricardo. According to both these schools, the exchangeable value of every commodity produced and brought to market in a society, must be composed of one or more of the following three parts; first, the wages of the labour actually employed in producing and bringing it to market: second, the profits of the stock so employed: third, the rent of the land. The incomes of all those members of society, whose revenues do not compose any part of the *price, or exchangeable value*, of these commodities, must, according to both schools, be derived from the incomes of those whose revenues do so compose it: but the first school, or that of Quesnay, held, that what the proprietors of stock in profits, and the labourers in wages, re-

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ceived out of the whole value, or price of the annual produce, could never be more than sufficient to subsist themselves, and replace the stock expended or invested by them in the commodities; and, consequently, what farmers and husbandmen received out of the produce of the land could be no more.

No third class could, therefore, possibly be subsisted out of what they received from the price or exchangeable value of commodities; and all the other classes of society, who neither labour themselves nor have stock employed in producing and bringing to market, must consequently depend upon something else. But the only species of industry that added any thing to the exchangeable value of the subject upon which it was employed, over and above what was required to pay these wages and profits, was *agriculture;* as the price of its produce paid not only these wages and profits, but the rents of the landlords or the proprietors of the soil.

This being found the only species of industry that paid, in the price or exchangeable value of its produce, any thing for the subsistence and provision of those not directly or indirectly employed in it, with their labour or their stock, was by this school dignified with the name *productive;* while the industry of all other classes was termed indiscriminately unproductive, because it did not afford any "*produit net*," like the rent of land paid by

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agriculture. The price or exchangeable value of the produce of all other species of industry paid no more than the wages of the labourers, and the profits of their stock; and these were no more than sufficient to subsist and provide for the people who received it, and to replace the stock.

Every man must depend for his *subsistence* upon the produce of agriculture, which alone furnishes him with the absolute necessaries of life; but the wages of the labourer, and the profits of the farmer, paid out of the exchangeable value of the gross produce, are no more than sufficient to subsist and provide for them, and to replace the stock expended; and all the other classes of the society must, therefore, depend upon the "*produit net*," or net surplus produce, for their subsistence; or upon that portion of the annual returns which agricultural industry gives to the landlord in rent. Whether they should be paid what they require for their subsistence, immediately by the landlords, or should be paid by them through the medium of the Government in taxes, could make no difference in the ultimate incidence of the burthen of their subsistence upon the rent of the land-proprietors.

Doctor Smith did not, as far as regards this subject, form a second school; he admitted what the economists, or disciples of Quesnay, had assumed, that manufacturing and commercial industry added nothing to the exchangeable value of the subject upon which they were employed, but what they took

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in wages and profits, to subsist and provide for the labourers and proprietors of stock, and to replace the stock itself; but as this industry does add the value of what is consumed to the exchangeable value of the subject upon which it is employed, those engaged in it ought not, he contended, to be considered as unproductive. What they produce is at least equal to what they consume in exchangeable value, though it is not, like that produced by farmers and husbandmen, equal to something more; "and as a marriage which affords three children is "certainly more productive than one which affords "only two, so the labour of the farmers and coun- "try labourers is certainly more productive than "that of the merchant and manufacturer. The su- "perior produce of the one class, however, does "not render the other barren or unproductive."* They all reproduce a value in exchange equal to the exchangeable value of what they consume; and ought, therefore, to be considered as productive consumers; while those only ought to be considered as unproductive, who consume without adding a value in exchange to the object upon which they are employed.

Wealth, Doctor Smith considered to be value in exchange; and that labour as productive which added any value in exchange to the subject upon which it is employed;† and when his terms are taken

* Wealth of Nations, vol. ii. p. 22. B. 4. l. 9. † Ibid. vol. ii. p. 1.

See Page 136–134 & 19 of this Volume

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in the sense in which he defines and uses them, he is neither inconsistent nor contradictory, as Mr. M'Culloch has supposed. The inconsistency and contradiction arises entirely from Mr. M'Culloch's not understanding the terms in the sense Doctor Smith uses them; for no one can suppose him so uncandid as intentionally to alter definitions, in order to adapt terms to opposite conclusions.*

Though Doctor Smith extends a good deal the limits of productive labour, by the admission of those who added the amount of their wages and profits to the value in exchange of the subject upon which they were employed, while the Economistes admitted only such as added something more; still, their great conclusion respecting the ultimate incidence of taxes remains unaffected, or rather confirmed by the admissions of Doctor Smith; and we may search the Wealth of Nations in vain for any arguments to prove, that all taxes are not finally incident upon the rents of land, or the *produit net of the Economistes*. On the contrary, Doctor Smith is sometimes led expressly to conclude, and at others to make admissions from which the conclu-

* See M'Culloch's Principles of Political Economy, p. 403 to 417. The terms *fallacy, contradiction, inconsistency,* are all improperly applied to Doctor Smith's reasoning; and the passage quoted from Paley, p. 410, shows only that the labour he describes is productive according to Doctor Smith.

But Mr. M'Culloch has, throughout his books, confounded value in *exchange* and value in *use*; and could not, therefore, understand Dr. Smith's distinction. Water is valuable in use, so are the services of a statesman and a soldier; but water is not valuable in exchange. A diamond is valuable in exchange, but not always so in use.

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sion is inevitable, that they are all so incident. "In all the great kingdoms of Europe, perhaps, "the greater part of the revenue of the sovereign "may ultimately depend upon the produce of the "land; but that dependence is neither so imme- "diate nor so evident."* Well might he term their doctrine "a very ingenious theory, supported by "metaphysical arguments;†" for ingenious and metaphysical indeed must have been the theory that could impose upon a mind of such extraordinary powers.‡

"We are thus led to conclude," say the Edinburgh Reviewers, "from the admissions of Doc- "tor Smith, that all taxes are finally incident upon "the net produce; and are ultimately paid by "land rent, either in a diminution of the landlord's "rent, or in an increase of the wages and prices "which out of his actual rent he distributes among "the other classes of the community;" and, say the same Reviewers, "no tax can ultimately "fall, either on the wages of labour or the profits "of stock; wherefore those which are levied on "consumers are all ultimately paid from rent."

* Wealth of Nations, vol. iii. p. 105. B. 5. I. 1.

† Vol. iii. p. 263. B. 5. I. 2.

‡ Doctor Smith thought M. Quesnay, with whom he was well acquainted, "a man of the greatest modesty and simplicity; and his system of political economy, with all its imperfections, the nearest approximation to the truth that had yet been published on the principles of this very important science. Doctor Smith intended to dedicate his work to him, but the death of M. Quesnay prevented him."

See Dugald Stuart's account of his life and writings, p. 57.

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But the same Reviewers prove, that land is nothing but stock; and the rent of land nothing but the profits of that stock;* and taxes cannot therefore fall ultimately upon rent. They can therefore fall upon nothing—since all are agreed, that rent, profits, and wages, are the only things upon which they can possibly fall. Thus England had got rid of a very inconvenient burthen, which Mr. Ricardo and his disciples have unhappily brought back, though they have very considerately placed it upon a *different set* of shoulders.

By the admissions of some philosophers, others were in time enabled to annihilate the great works of the Creator; an honest English bishop,† to annihilate the material world, and believe most sincerely in the truth of his conclusions; and an English philosopher and historian,‡ to annihilate the world of spirits, which the Bishop had left, and believe speculatively in the truth of his deductions. The works and institutions of feeble man are not calculated to resist the force of such syllogistic Euroclydons!

M. Voltaire saw the evil effects of the theory of the Economistes, with regard to the ultimate incidence of taxes when applied to practice; but feeling that it would be more easy and more efficacious

* See Edinburgh Review, vol. i. p. 448. vol. iv. p. 358 to 366. vol. xiv. p. 54.

† Berkeley. Our great poet Byron thought the arguments of Berkeley still unrefuted. (See Don Juan.) Perhaps he had not read Reid, or Dugald Stewart.

‡ Hume.

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to ridicule than to refute their arguments, he embodied them in his little romance of "L'Homme aux quarante ecus."—"Les nouveaux ministres "disoient encore dans leur preamble, qu'on ne "doit taxer que les terres, parceque tout vient de "la terre, jusqu'a la pluie; et que, par consequent, "il n'y a que les fruits de la terre qui doivent "l'impot. Les Anglais, qui ne rient guere, se "sont mis a rire quand ils ont appris que les gens "d'esprit avoient proposé parmi nous cette admi-"nistration."

The second school of political economy, or that of Mr. Ricardo, rejected altogether from price or exchangeable value, the part which the first school had made to bear the burthen of supporting all the society not actually employed, directly or indirectly, in the cultivation of the land. The exchangeable value of the produce of the land, like the exchangeable value of the produce of manufacturing and commercial industry, is, according to this school, composed exclusively of the wages of the labour and the profits of the stock, actually employed in producing and bringing to market; * and as all the society must of necessity derive their incomes from this exchangeable value, they must all derive them in or from these wages or profits. Those who do not derive their incomes *in* the wages of labour or the profits of stock, actually

* See M'Culloch's Principles of Political Economy, 1st edition, pp. 264. 272. 282.—Ricardo, 1st edition, p. 67. 344, 345. 349. 352.

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employed in producing and bringing to market the enjoyments of society, whose exchangeable value is composed exclusively of these wages and profits, must necessarily derive their incomes *from* one or b[illegible] of them.

But the wages of the labour employed in producing and bringing to market, can never for any considerable time together be more than sufficient to provide with the necessaries of life the labourers who receive them. No other income can, therefore, for any considerable time together, be paid from these wages. All the incomes of the other classes of society must therefore be paid from profits, "either in a diminution of their *profits* or an increase of the wages and prices, which, out of their actual *profits*, they distribute among the other classes of society."

The first school threw all the burthen of our public debt, our army, navy, church, poor-rate, bench, bar, physic, &c. &c. &c. upon the shoulders of a few land-proprietors; and the second school has not only shifted off this burthen upon the shoulders of a few merchants and manufacturers, but has superadded to it that of supporting the land-proprietors themselves; for if their rent forms no part of the exchangeable value of the annual returns from the land, they cannot be paid out of it in the price. They must, therefore, be paid out of some one of the two component parts of this exchangeable value, which alone this

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school admits; and, as they cannot for any considerable time together be paid out of the wages of the labour, they must be paid out of the profits of the stock actually employed in producing and bringing commodities to market; and out of profits they are accordingly made to be paid by this school.

A man of forty crowns a year from stock, actually employed in producing and bringing to market the enjoyments of society, would be pillaged much more by the practical application of the theory of this second school, than the man of forty crowns a year from land actually employed to yield these enjoyments, or the materials of which they are formed, was in France by the practical application of the theory of the first school; inasmuch as the incomes to be paid out of profits in England are much greater in proportion to the profits, than the incomes to be paid out of rent in France were to the whole rent. It is the stock actually employed in producing and bringing to market in England, that the second school destines to pay all the burthens; and this is not one-third of the whole stock on which profits or interest are paid. Our national debt is a small item of eight hundred millions for which interest is paid, and this is employed neither in producing nor in bringing to market; consequently the proprietors could have no share in the honor of bearing the burthen. †

† An honest and sensible English farmer and

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land-proprietor exclaimed, on the practical application of the theory of the first school by the legislature of the time in France: "It is not difficult to conjecture what turn this policy will take in France, when we see the preposterous and pernicious doctrines of the Œconomistes triumphant; when the false and absurd doctrine that all taxes ultimately fall on land, is recognized and admitted; and when we know that a proposition for a direct land tax of twelve millions sterling was received without abhorrence."* If the doctrines of Mr. Ricardo should ever become as triumphant in England as those of M. Quesnay were in France; if it should be recognized and admitted, that all taxes fall ultimately on the profits of stock actually employed in producing and bringing to market, and a proposition for a direct profit tax of forty millions a year should be as favorably received by our legislature, an honest English manufacturer or merchant would probably express himself in the same terms of indignation.

The talents and reputation of Mr. Mill and Mr. M'Culloch seem to the theory of Mr. Ricardo, what those of Turgot and Mirabeau were to that of M. Quesnay; and the theory of the second school appears to be as favourably received now in England, as that of the first was ever in France." Mr. Ri-

* Young's Travels in France, vol. i. p. 438. chap. 13.

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cardo proves very satisfactorily to himself and his disciples, that all taxes must fall ultimately upon the profits of stock actually employed in producing and bringing to market; and therefore proposes that all taxes shall be imposed directly upon these profits, in order that the miser may be made to pay in his income what he cannot be made to pay in his consumption.* Mr. M'Culloch considers the conclusion irresistible, that all taxes must fall either on these profits or on the wages of labour actually so employed;† and as they cannot for any considerable time together fall upon wages, they must and do all fall upon profits;‡ but he has not ventured so far as to recommend a similar consolidation of the taxes. Mr. Mill, however, has ventured inconsistently so far as to think that some taxes may ultimately fall upon rent and wages. Though much might be expected from their good sense and prudence, there can be little

* First edition, p. 213.

† M'Culloch's Principles of Political Economy, p. 385.

‡ Ibid. p. 336 and 387. Mr. Ricardo sometimes admits that taxes may be incident upon rents, and property in the public funds; but when he does so he is inconsistent with his principles; and consequently perplexed and confused.

Mr. M'Culloch says, Doctor Smith had no clear and accurate notions respecting the nature and causes of rent, and the laws which govern the rate of profit; and in consequence all that part of his work which treats of the distribution of wealth and the principles of taxation is *vitiated*. M'Culloch, p. 55. It will by and by appear, perhaps, that he had a very clear and accurate notion of rent; and that he knew the laws which govern profits much better than Mr. Ricardo, whose whole theory is founded upon false premises.—See Review of that school.

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doubt, that if England were now unhappily placed in the same situation as France was at the time Arthur Young speaks of, many a disciple of this school would be quite mad enough to propose consolidating all taxes into one, imposed directly upon profits; and perhaps the country gentlemen would "receive such a proposition *without abhorrence*."

Though it is impossible that both these theories should be proved to be right, it is not only possible, but very probable, that both may be proved to be wrong; and some other sturdy theorist may appear to establish a reputation for *originality* in proving, to a certain circle of disciples, that not only all the burthens which the Economistes imposed upon land-proprietors, and the Ricardians have imposed upon stock-proprietors, but together with these the rents of the one and the profits of the other, are ultimately incident upon the wages of the labourers, actually employed in producing and bringing to market.† A proposition to simplify our financial system, by a consolidation of all taxes into one directly imposed upon these wages would of course follow; and as it would, no doubt, be received with great complacency by all land and stock proprietors, who form a majority in our legislative assemblies, the labourers would have infinitely less chance of escape from this school than the landlords of France had from the first, or the stock-proprietors of England from the second.

† This I have since found actually to be the case, and rents, taxes, tithes, profits &c &c all to be made incident upon the wages of the labourers actually employed in the supply. All merchants and all accumulators derived in the form of Annuities, Profits, Rent, Interest

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They are, however, in no danger from me: I shall endeavour to remove a part of the burthen from the shoulders of those who have hitherto been made to bear it, without any attempt to transfer it to theirs; and instead of endeavouring to establish a reputation for *originality*, in fixing this burthen upon any particular class, attempt to be useful, in making an equal distribution of it among the whole. My system of political economy, in the branch to which it is my intention to confine it, will probably be well received, and found useful among plain practical statesmen; but it will, perhaps, be found a good deal too simple for the schools. To the latter I beg leave to offer a review of the two theories of Quesnay and Ricardo; to the former I offer, with deference, the system itself.

"service a poor tax either direct or indirect,
"or indeed by any means except that of
"productive labours, are virtually derived
"from the products of labour, consequently
"all accumulations resolve themselves
"not into any acception of national wealth
"but into an abstraction from the fair and
"just reward due to the labour and skill
"applied to production at the sacrifice of
"privation of consumption"

See Statistics of the British Empire

P 38 & 44

and Dis XXV

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PART I.

CHAPTER I.

REVIEW OF THE FIRST SCHOOL.

THE school of Quesnay, or the Economistes, considered all taxes to be ultimately incident upon the rent of land, or *produit net*, of agricultural industry; because they concluded, that all that portion of society which is not directly or indirectly employed in the cultivation of the land, and paid in the wages of labour and profits of stock so employed, must necessarily be paid out of the rent, or net surplus produce remaining after these wages and profits have been paid. All those who have not directly or indirectly an independent claim upon the gross produce of the land, in the wages of their labour, or the profits of their stock, directly or indirectly employed in its cultivation, must depend for their subsistence upon those who command the net produce; or that portion which is over and above what is sufficient to pay these wages and profits. Whether public establishments, and paid through the medium of Go-

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vernment; church establishments, and paid immediately in tithes; poor establishments, and paid through the medium of parish officers; whether merchants, manufacturers, tradesmen, lawyers, artificers, physicians, &c. &c. &c. no matter, as long as their labour or their stock was not directly or indirectly employed in the cultivation of the land, and their wages and profits were not derived from that employment; their incomes must necessarily, it was said, depend upon land rent; and be paid out of that portion of the price or exchangeable value of land produce. *

The labour and stock employed directly or indirectly in the cultivation of the land, are, it is said, the only species of labour and stock employed in any society, that yield any such *produit net*, or surplus produce, for the subsistence and provision of any third class, whose labour and stock are not directly or indirectly employed in it. All the labour and stock employed in the other branches of the national industry yield merely their wages and profits, in the price or exchangeable value of the produce brought to market; and they cannot, therefore, pay the wages of any other labour or the profits of any other stock. Such labour and stock must, consequently, be unproductive of any

* Mr. Hume was one of the few writers who denied the truth of this conclusion, that all taxes were ultimately incident upon land rent.—See Essays, vol. i. p. 302.

Sir James Stewart was another. B. 5. l. 5.

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produit net; while the labour and stock employed directly or indirectly in the cultivation of the land are productive of a new value, or net surplus produce, sufficient to subsist and provide for all the other classes of society. This *produit net* is the rent of the land, which is added to the exchangeable value of the produce of agricultural industry, and paid in its price.

But it is sufficiently obvious, that had any other fund or source of the absolute necessaries of life, the air, the rivers, or springs of a country been appropriated, and limited in their capacities to supply in the same manner as the land, they would have been found to yield in the price or exchangeable value of their produce the same *produit net* as rent to their proprietors.* They would yield a much greater surplus produce than the appropriated lands of a country; because all would be surplus that was over and above what those employed in guarding them required to breathe and to drink; and yet no one would be disposed to consider those employed in guarding a monopolized source of the necessaries of life, a very *productive* or useful class.

All those not employed in guarding such monopolized sources either directly or indirectly, would depend for subsistence upon those who commanded the surplus produce of air and water; and yet those air and water proprietors would not be

* This School included under the term "earth," fisheries and mines.

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considered as a very *productive* class of society. All that they could exact from the people for their air and water, over and above what they require to pay the people employed directly or indirectly in guarding the monopoly, would be as much an addition to the price or exchangeable value of air and water, as that which the proprietors of land receive in rents, for the natural and unimproved powers of the soil, is an addition to the price or exchangeable value of the produce of the land.

Land, as a fund or source from which man is supplied with the absolute necessaries of life, is peculiar only in its being commonly more limited in its powers of supply than the other funds, or sources on which the society depends; and in its demanding the application of labour and stock, to make it yield those necessaries, which the others commonly do not. Rent is the necessary consequence of appropriation; and appropriation is the necessary consequence of the limited capacity and varying powers of the land, after society has advanced beyond the pastoral state.* As society advances, or as numbers increase at any particular seat of demand, whether a camp, a town, a city, or a nation, recourse becomes necessary for supply

* Mr. M'Culloch says, p. 265, that Mr. Malthus and Mr. West showed, "that rent was not, as had been commonly supposed, a consequence of land having been divided and become property; but that it was owing to its being of limited extent, and of various degrees of fertility." But when Doctor Smith says that land pays rent according to its degrees of fertility, and its distance from the seat of demand, he says the same thing. The rent is the consequence of appropriation and division; and these are the consequences of limited extent and degrees of fertility.

B. 1. Chap 7 and 11
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to less fertile and more distant parts of this great fund; and those parts more fertile and less distant become more and more valuable to their proprietors as sources of rent.

Mr. M'Culloch has found fault with the Quarterly Review for denominating the earth "a source of wealth;" and says it might as well be called a source of pictures and statues, because it happened to supply the materials of which they are formed.* Most assuredly might the earth be called the source of all the species, of which wealth is the genus; provided in the term "earth" be included, as they commonly are, the sea and the mines. What can be affirmed with truth of the genus, may be with truth affirmed of the species, and individuals; and it may be truly affirmed of all the enjoyments, whose materials we derive from the earth, that the earth is their source. If Mr. M'Culloch affirms that wealth consists exclusively of exchangeable value; and that that labour only is productive of wealth, which adds to value in exchange, he destroys at once the foundation of his own theory, by which he attempts to extend the limits of productive labour beyond the boundaries assigned by Doctor

* Principles of Political Economy, p. 62.

The Quarterly Review has very properly used the term after Doctor Smith. See Wealth of Nations, vol. i. p. 419. b. 2. 1. 1. He describes the circulating capital of a nation to be withdrawn annually, to supply the enjoyments and the fixed capital; and to replace what is withdrawn for that purpose, to require continual supplies from the *three sources* "lands, mines, and fisheries." See also Mr. Mill, p. 235.

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Smith.* According to his own theory a thing may be productive of utility and wealth, and be termed a source of them, though it add nothing directly to the exchangeable value of produce. The earth may be properly termed the source of wealth, though rent be not paid in the price of the commodities derived from it.

If land, like the atmosphere, were unlimited in its powers of supplying the necessaries of life we require from it, it would, like the atmosphere, remain unappropriated.† If it were limited in its powers of supply, but these powers were precisely the same in all situations, it would become appropriated; but its value, as a source of rent to the proprietors, would differ only with the advantages or disadvantages of its situation with regard to the market for its produce. As it is not only limited in its powers of supply, but differs in its degrees of fertility, its value to the proprietors, as a source of rent, alters not only according to its distance from the different seats of demand for its produce, but according to the degrees of its fertility. Lands at the same distance from the seat of demand, and with the same facilities of conveyance to it, pay a greater rent in proportion to their greater fertility, and

* See Principles of Political Economy, p. 403—417.

† Mr. Malthus says, that infinite misery would be the consequence of such unlimited powers. No doubt it would; for as there is, according to his system, a constant tendency in the people, to press against the means of subsistence, if the powers of the earth to supply them were unlimited like the air, men would press against each other, till some fell into the sea; when there would be a good deal of inconvenience as well among those who stood as those who fell.

lands in the same degree of fertility pay a greater rent to their proprietors, as they are nearer to the seat of demand, or have greater facilities of conveyance to it than other lands to which the same seat of demand has recourse for supply.

Whether any rent be paid for the most distant and least fertile lands to which any particular seat of demand, at any particular time, has recourse for supply; and whether, therefore, rent forms any component part of the price, or exchangeable value, of the produce which is brought from them, is of no importance whatever to any thing but the Ricardo theory of profits and wages. It is abundantly manifest, that rent when paid by the farmer for the nearer and more fertile lands, is paid out of the price he receives for the produce of these lands; and that it must therefore, form a component part of the price or exchangeable value of that produce. Whether it is or is not a part of the exchangeable value of the particular produce which is drawn from the very poorest and most distant land, to which any seat of demand has, at any particular time, recourse for supply or not, it is sufficiently evident, that rent forms a component part of the price paid for the greater part of the produce derived from the land; since price is the only medium through which it is paid.

Supposing that man enjoyed nothing but the simple necessaries of life, and that of all the funds or sources from which these necessaries are derived

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land were the only one appropriated, there could be little doubt that the expense of supporting every man might be fairly considered as ultimately incident upon those who were permitted to appropriate it.* Those who laboured, and those who had stock employed, directly or indirectly, in its cultivation, would have an independent claim upon that portion of the annual returns, which they drew for their subsistence in wages and profits; the proprietor of the land would depend as much upon the application of their labour and stock to the soil for his rent, as they depended upon his permission to cultivate, for their wages and profits. But no other part of the society could have such an independent claim upon the annual returns. They must all necessarily depend, for their subsistence, upon the proprietor of the soil, who would command all the annual returns surplus to what subsisted those directly or indirectly employed in its cultivation.

Before industry extends beyond agriculture, those who depend upon the *produit net*, or the surplus produce of the landlords, for their subsistence, have nothing to offer as an equivalent but their prayers and their services; and in such early stages of society, those who subsist upon the surplus produce are commonly divided into military and church establishments. No one can have an independent claim upon the proprietor of the soil for a portion of the surplus produce, while no

* Exceptions even to this will be noticed by and bye.

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one can possibly exist without it. A portion of the society, equal to what this surplus will subsist, is, therefore, dependent upon the proprietors; but there is almost always an authority in the society, even in this early stage, either self-created, or constituted by common consent, that is paramount to that of the proprietors of the soil; and this authority has the privilege of disposing of a certain portion of the surplus produce for the common benefit of the whole. The Government then becomes the medium of distributing a certain portion of the surplus produce, to its church, military, and other public establishments; and what it requires for this purpose it levies in taxes.

These taxes must, however, in such a state of society, be of necessity incident upon the proprietors of the soil, if the soil be all private property; whether they be imposed upon the land, or fund itself; upon the instruments in men and stock employed to cultivate it; upon the produce after it comes from that fund; or in a capitation tax upon those who consume it, or upon the proprietors themselves.

In such an early state of society, before industry has extended beyond the cultivation of the soil, and while the enjoyments of man are confined to the simple necessaries of life, as the other funds or sources of subsistence are left a common property, [illegible] subsist upon the surplus produce of agriculture, that is, all [illegible] not employed

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or indirectly in the cultivation of the land, are left dependent upon the proprietors of the land, or upon that authority which is constituted paramount to these.† In the kingdom of Peru, when invaded by the Spaniards, the sovereign had become the medium of distributing nearly all the surplus produce of the land; and consequently, the sole land-proprietor. Peru therefore, exhibited a rude picture of Egypt, Persia, India,* and China. So also did Congo, when discovered by the Portuguese. In the kingdom of Mexico, on the contrary, the surplus produce of the land was almost all distributed through the great feudal chiefs, or territorial lords; and Mexico exhibited a rude picture of Europe, before the establishment and after the downfall of the Roman empire.

In the annual returns from the land, all that is over and above what is sufficient to pay the wages of the labour, and the profits of the stock directly or indirectly employed in its cultivation, is surplus produce; and all those who are not, or have not stock so employed, are dependent upon and subsisted by the Government and the land-proprietors. In such early stages of society the greater part of the stock employed in producing and dis-

* India, it should be observed, was like Mexico, a feudal nation before the Mahommedans invaded it. It was the tendency of their Government, like that of our own, to alter this state; and India is now something like Peru. The feudal system of India will be considered in another chapter;

† "The whole produce of the land" says Dr. Smith "indeed only belongs to him who can dispose of the labour and services of all those who it maintains"

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tributing the fruits of the earth, commonly belongs to the Government or to the proprietors of the soil; and, consequently, the whole of the annual produce, or nearly the whole that is over and above what is required to pay the wages of labour, is left at their disposal. The great works of Egypt for irrigating the lands, and facilitating the distribution of the produce, were formed by the revenues of the sovereign, like the roads and granaries of Peru; and the labour saved by them in [illegible], augmented the mass left at their disposal; since they conveyed to no individual an independent claim upon the annual returns.

While the sovereign in such early stages of society, commonly forms, from the portion of the surplus produce which he distributes, all those works of great and general utility, which augment the produce of the land by irrigation, and facilitate its distribution in canals, roads, bridges, &c. &c. the proprietors of the land form from that portion which they distribute all those of local advantage; and commonly supply the moveable stock required in cultivation. When Pharaoh had purchased all the lands of Egypt, his people had nothing left to sell but their ploughs and their bullocks; and when he had purchased these he had nothing to pay out of all the gross produce of the land, but the wages of the cultivator.*

* See Genesis, chap. 47th.

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Under such circumstances his settlement was extremely liberal; and those with whom it was made, paying only one-fifth of the produce, would soon have had a considerable portion of surplus at their disposal, and become proprietors, rich in proportion to the extent and fertility of their estates.* But this [illegible] must have been very unequal, as it took the same portion from all lands without regard to the fertility; and if measured in money, the [illegible] money-rent from all lands without regard to their distance from the seats of demand for their produce. The lands of Egypt were [illegible] not perhaps very different in their productive powers, since all were equally supplied with the fertilizing waters of the Nile; while the disadvantages of distance from the seats of demand were diminished by the great facilities of distribution formed by the sovereign.†

* This settlement was intended to be permanent; and it probably lasted as long as most settlements of that kind do. How often have the lands of every European nation changed hands in a century or two!

† See Young's Travels in France, vol. i. p. 323. 356.

Young rates the seed-wheat in France at 153 pounds or 2¼ bushels the acre, nearly the same as in England. The returns in France at an average of six times the seed; or wheat and rye 18 bushels the acre. In England the returns are rated at an average of 8, or 24 bushels the acre. Taking in the advantages of better spring corn, he considers, that the returns per acre in England are to those of France as 28 bushels to 18 per acre.

In 1822 estimates furnished to Parliament gave to the best lands under tillage in England from 36 to 40 bushels; and to the worst from 8 to 10 per acre.

Sonnini rated the produce of the lands of Egypt at from 25 to 30 returns of the seed, on an average of a whole district. In India I rate the seed from the best

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In such early states of society, that portion of the annual produce which is required for the support of public establishments, is sometimes drawn and distributed through the medium of Government; and sometimes it is paid immediately by the land proprietors to those establishments, which are furnished with an assignment upon the lands for that purpose. But whether paid immediately by the land proprietors, or through the medium of Government, is of little or no importance to those proprietors. It is a certain portion of the produce of the land taken from their disposal; and all those subsisted upon it are a certain portion of the society removed from their command, and placed at the disposal of the sovereign. All taxes, tithes, poor-rates, &c. &c. in such a society might, therefore, be considered as a burthen upon the land proprietors, because they deprive them of the disposal of as much produce as they take, and of the command of as many people as that produce subsists; since if no taxes, tithes, poor rates, &c. &c. were taken, they would dispose of the whole of the produce, and command the whole of the people.

But if the whole of the people, or the Govern-

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of all authorities, personal inspection and measurement, at 144 pounds of wheat per acre, and the returns at from 4 to 30, [illegible] where the lands are irrigated, as they were in Egypt. The returns from the very same land will descend from 30 to 4, as the soil becomes exhausted by tillage.

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ment constituted by the whole of the people, were to appropriate any other fund equally essential to their subsistence, they would thereby reduce landlords to a state of mutual dependance. The society would depend upon the proprietors of such a fund for that portion of their subsistence which they required from it, either directly or indirectly, through the medium of the Government; just in the same manner as they depend directly or indirectly upon land proprietors, for that portion of their subsistence which they require from the soil. The land is more commonly appropriated than any other fund or source of the necessaries of life, because it is more adapted to appropriation; and it pays a rent to individuals because individuals appropriate it.

Among nations in the pastoral state, [illegible] the funds of the absolute necessaries of life are generally considered a common or public property; and in such states men are [illegible] found as jealous of their right to draw from them what their wants or their convenience requires, as in a more advanced state they are of their private and exclusive rights in them. Thus among the Arabs, before their conquests extended over the more advanced nations of the Roman and Persian empires, all these funds were declared, as well by their new legislator, as by their ancient laws, to be a common and public property; the

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pasture lands and salt pits, no less than the sea, the air, the rivers, and the lakes ;* and it was considered criminal in a prince, or chief of a tribe, to have an exclusive pasture meadow, even in the vicinity of his dwelling. It was urged as a reproach against Othman, the third sovereign in succession to Mahommud, that he had given to a favorite the spoils due to the soldiers, and appropriated to himself pasture lands, which, according to the laws, ought to be left a common and public property.†

Among them, as among the ancient Germans, the investment of property and labour in fixed stock, such as a dwelling-house or wall-enclosure, gave an exclusive right of property in small spaces of land, either by common consent, or by recognized authority ;‡ but all the rest was left a common property. But as these people, the Arabs and the Germans, extended their conquests over countries more advanced, whose population was more dense, and whose industry was more ex-

* See Miscat-ul-Musabih, b. 6. l. 7. b. 12. l. 15.

و اعطيت عمر خمس الحماء ظلما لهم و حميت الحمى †

See Abul Feda's Annals.

‡ This little enclosure was an inviolable property among the Arabs, as among the Germans. They were the Salic lands of the Germans. "Vicos locant, non in nostrum morem connexis et cohærentibus ædificiis ; suum quisque domum spatio circumdat."—Tacitus de Mor. Germ.—See Esprit des Loix, b. 18. l. 22.

These small enclosures were denominated by the Germans in their native wilds Salbacs, from Sala, a house.—See Puther's German Empire—Blackstone's Commentaries.

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tended, the funds whose boundaries were determinable and whose powers of supply were limited, became a private property among them, as they had been among the vanquished people. The little enclosures of the Arabs, like the Salbacs of the Germans, swelled into large estates of allodial property. Lands, salt-pits, mines, and springs, all became private property; and the codes of the barbarians, like those of the Romans, left only, as "res communes," the air, the flowing waters, the sea, and the shore, as far as "the winter waves might reach."*

Springs and streams of pure and wholesome water have been appropriated, while land has been left a common property.† "It may," says Hume, "happen in some countries at some pe-
"riods, that there be established a property in
"water, and none in land; if the latter be in greater
"abundance than can be used by the inhabitants,
"and the former be found with difficulty and in
"very small quantities."‡ In England, and other countries, where men may draw to an unlimited extent for pure water, no man derives much income from, [illegible] a spring; but in other parts of the world, the proprietor of a spring of wholesome water has been found to have the most

* Elementa Juris Civilis, lib. 2. tit. 1.

† Perhaps a spring of good water discovered in the island of Bermuda would be more valuable to a proprietor than a large estate in land.

‡ Essays, vol. ii. p. 217.

The book of Genesis will furnish us, says Blackstone, with
frequent instances of a right existing in certain persons
to the exclusive property of such springs as appear to have been
established in the first ages of mankind, especially in such
cases where the ground and the springs were situated at

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valuable species of property in the country.* In such places water, always valuable in use, may become extremely valuable in exchange; and the price paid for it, like that paid in other countries for land produce, will, over and above the expences incurred in bringing it to market, in the wages of labour and the profits of stock, yield a rent to the proprietor.

The two springs which furnished the ancient city of Palmyra with the only pure and wholesome water to be found in that arid waste, in which it was situated,† were no doubt, if appropriated, the most valuable property that a citizen possessed, or could possess. Indeed a very ingenious traveller, while he justly attributes the wealth of that state to the situation of the city, as an entrepot for the Indian trade, considers that this situation was rendered available only by these two springs. "Les deux sources d'eau douce que son sol possede, "furent surtout un attrait puissant d'habitations "dans ce desert aride et sec par tout ailleurs."‡

* In Piedmont and the Milanese, he who *discovers* a new spring is at liberty to conduct the waters to what lands he pleases, paying a fixed compensation for cutting through the properties of others; and in these, and other states of Italy, the sovereign is the proprietor of all the rivers. Young's Travels in France and Italy, vol. ii. p. 177.

† Wood says, these little streams, once so valuable, are now entirely neglected. The water appeared to him to be warm and sulphureous, but the people still considered it agreeable and salubrious. By an inscription upon an altar they learnt, that the care of them was entrusted to officers elected for the purpose. They had been conducted through the city by works under ground, which were repaired by Justinian for the Roman garrison, but are now neglected.

‡ Volney's Travels in Syria, chap. 30.

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The value of such a spring is proverbial in some parts of the East;* and we find a female relative of the Khalif Maweeut, borrowing a thousand dinars from that sovereign to purchase one. By the code of Zoroaster, a criminal might expiate his crime by giving to an honest man streams of flowing water of a determinate size and depth;† and the rivers and streams of modern Italy, available for purposes of irrigation, are appropriated by the sovereign, or by individuals; as were those of ancient Egypt and Persia. We are told by Polybius, that the Persians gave to those who conducted a stream of water to lands that had not before been irrigated, the free inheritance of the soil so watered by them for five generations; and that the people were thus stimulated to bring water from the distant mountains, by subterranean channels, totally unknown in his day, even to those who still enjoyed the advantages of the waters.‡ By these springs and streams, the powers of the earth were made available; and a dreary arid waste converted into a fruitful and populous country.

Had these springs been, as no doubt many of

* خير المال عين خيرارة في ارض خوارة

A fine *property*. "Fons murmurans in terra molli." Abul Feda's Annals, vol. i. p. 380.

† M. de Pastoret, p. 83.

‡ See General History, Book 10.

Montesquieu quotes this passage from Polybius, as importing, that the Persian sovereigns gave the benefit or the monopoly of the springs, instead of the inheritance of the land. Esprit des Loix, B. 8. l. 7.

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them were, conducted by people who had no right of property in the soil they irrigated, they would necessarily have given to their proprietors an independent claim of no small magnitude upon the annual returns from the land, whose powers of fertility they developed and improved; or alone made available in tillage; and the incomes derived by the proprietors would have been an independent claim upon the produce of the land.* Had they disposed of these streams to the sovereign, after conducting them to the lands, for an annuity, to be paid by a tax upon the lands, they could with as little justice be considered as a burthen upon the land proprietors; and if Government had taxed the annuities it gave to the proprietors of the springs, that tax could not have been incident upon the rent of the land-proprietors. The claim of the proprietors of springs upon the lands they enriched with their waters, either immediately, or through the medium of the Government, would have been independent of the proprietors, and a tax upon it would have been a tax upon an independent income.

Even in this early stage of society, in which I have supposed industry to be confined to the cultivation of the land, and the distribution of its produce; and the enjoyments of man, to the fruits of the earth in their rude state, other men might

* "The cultivators of the land in Persia, who have more water than they require, dispose of it to great advantage." Scott Waring's Tour to Sheeraz.

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acquire an independent claim upon the annual returns from the land, by the formation of great and useful works, to facilitate the distribution. Some might form navigable canals, others build bridges, others form roads. The claims acquired by the formation of these works, would be enforced through the medium of a duty, imposed upon the produce distributed by their means; and as this claim would be independent, a tax imposed upon the income derived from the duty, would be a tax incident upon an independent income.

Works for irrigation increase the quantity of the necessaries of life, derived from the land; and as there is always a tendency in population to augment in proportion as these necessaries increase, they increase the number of the people. But more persons are not required, in proportion to this increase, to apply their powers as instruments in the cultivation of the soil; because the water conveyed in such works acts as a powerful instrument in improving and developing the natural powers of soils already in tillage; and in rendering available the natural powers of such as were before uncultivable. More men may be employed in cultivation after such useful works are formed; but the increase of produce, and of the people subsisted upon it, is in much greater proportion. More men are therefore left at disposal; and they can only be at the disposal of some one of these three: the sovereign, the proprietor of the lands, or those who form the

works. The last claim the services of this body and the subsistence it requires; and their claim must be recognized as just and independent. They enforce their claim upon the annual returns through the medium of a duty upon the water, as it passes to the lands, or upon the lands as they are irrigated by it; and a tax imposed upon their income, would be a tax upon an independent income.*

Works for facilitating the distribution of produce do not directly or necessarily augment the annual returns from the soil; and consequently do not necessarily augment the population. But of the actual population they render the application of less numbers necessary, as instruments for the distribution of the actual produce. The numbers relieved from this duty or employment, are at the service of some one or other of those who command the surplus produce: who in such a state of society are the sovereign, the land-proprietors, the proprietors of works for irrigation, and those who [illegible] distribution [illegible]. The last of these have unquestionably, a just and independent claim upon the services of the body relieved from the work of distribution; and the subsistence required for its support. It is by them that its industry, as

* "Water gives many other things besides humidity; it manures, consolidates and deepens the staple or surface mould, and guards against cold; effects as obvious in a northern as in a southern climate. But under a hot sun, and in a dry climate, sandy or stony soils yield, comparatively speaking, nothing; but when watered they become clothed with the richest verdure, and yield the finest crops." Arthur Young's Travels in France, vol. i. p. 382.

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an instrument, has been set free from the employment of distribution; and to the labour thus freed they have the most just and independent claim. This claim they enforce by a duty; and a tax imposed upon the income derived from this duty, would be a tax upon an independent income, and not of necessity incident upon land-proprietors.

It will be useful here to remark, [illegible], that the labourers set free from the employment of distribution, and those added to the mass of the people by works for irrigation, without being required in tillage, have no independent claim upon what they require for subsistence from the land. They require for subsistence the simple necessaries of life from those who command the surplus produce; and in return they offer their services. But they have nothing else to offer; and if those who command the surplus produce will not accept and employ them, they must beg, rob, or starve. Surplus produce for their subsistence may be abundant, but if those who possess it will not give it without an equivalent different from that which alone they can offer —the use of their physical and mental powers— they may starve.*

* In India this reasoning will be found of vast practical importance, because such works are for the most part formed either by the land-proprietors themselves, or by people who found no claim upon them. If those on whom they are left to depend will not employ them honestly, they must subsist by dishonest means. This subject will be treated in another place. See Malthus on Political Economy, p. 511. 577.

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All the claims I have supposed to be acquired by the formation of works for irrigation and distribution in this state of society, are manifestly independent; and cannot be considered as a burthen upon the proprietors of the soil; nor could a tax imposed upon the incomes arising from them be considered as so incident. This tax would be the medium of taking, from those by whom the works were formed, a certain number of the people, whose services and subsistence these works gave them, and placing them at the disposal of the sovereign, for public purposes.

All such claims might be transferred to the Government for equivalent annuities, to be paid out of taxes, imposed in the same manner as the private duties had been; but such taxes could not justly be considered as a burthen incident upon the rents of the landlord.

But if in this early stage of society, land-proprietors should themselves form and maintain all these works, to increase, produce, and facilitate distribution; and the earth should remain the only fund or source of the necessaries of life appropriated, no independent claims upon them could be acquired by any other class; and the whole society must remain dependent upon them for an indispensable part of their subsistence.* This dependence, however, would be merely the consequence of appropriation, which would be the consequence

* I shall have occasion to refer to this conclusion in a subsequent chapter; and it will be found of great practical importance in our Indian administration.

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of the limited extent and powers of the fund; and the same consequence would follow the appropriation of any other fund or source of the necessaries of life; air, water, &c. The German Prince, who monopolized his atmosphere, by imposing a tax on breathing in it, reduced his people to as complete a dependence upon him, as the Peruvian, Indian, or Egyptian Prince, who monopolized his land.

It would be great folly to suppose, that an atmosphere could be more productive of the necessaries we require from it, because it happened to be appropriated, and thereby yielded or produced a value in exchange; and it would be equally so, to suppose that a Government which monopolized the sea, and added the profits of the monopoly to the exchangeable value of the salt and fish it produced, rendered that sea more productive of these necessaries than any other sea. It would be no less folly to suppose, that the labour employed in guarding the monopolized atmosphere and sea, or the labour and the stock employed in making salt and taking fish in such a sea, was more productive of necessaries and enjoyments than any other. The stock and the labour employed in taking fish and manufacturing salt in the unappropriated sea, would be just as productive of fish and salt as those employed in the appropriated sea: but the latter would produce a value in exchange which the former would not; and this value would be paid in the price.

The labour and stock employed in a monopolized sea, produce more value in exchange than the labour and stock in an unappropriated sea [redacted] but this labour and stock do not thereby produce more of the necessaries and enjoyments, or fish and salt, [redacted] nor do they add any thing to their utility, or value in use. They exchange for more, but the fish and salt do not furnish more subsistence or enjoyment to those who consume them, than the fish and salt of any other sea.

The powers of nature could not be altered by the mere act of appropriation: the atmosphere left free would contain as much vital air as the atmosphere monopolized by the imposition of a tax. The sea left free would yield just as much fish and salt as the sea appropriated. Appropriation, monopolies, taxes, and duties, all add to value in exchange, and to price; but they are none of them considered to be very efficient instruments in adding to the quantity of our necessaries and enjoyments, or to the utility or value of those in use! They none of them augment the powers and efficiency of the funds and instruments to which they are applied, nor do they add to the quantity or utility of the enjoyments or necessaries upon which they are imposed. Still they produce a value in exchange, which is added to the price, over and above what is required, to

pay the wages of the labour and the profits of stock actually employed in producing and bringing these necessaries and enjoyments to market. They are therefore productive in this sense, and in this sense the tax gatherer is as productive as the monopolist; and the monopolist as the landlord.

It was in this sense that the Economistes made agricultural labour the only productive labour; but in this they were not correct, because tax gatherers, monopolists, and patentees, were equally productive. It was in this sense that Doctor Smith admitted agricultural labour to be more productive than that of manufactures and commerce. They were more productive of value in exchange and value in exchange was wealth; they were, therefore, more productive of wealth. The value in exchange of any thing is what that thing will purchase or command; and that labour was productive which could add any thing of this value to the object upon which it was employed.† The labour employed in producing and bringing to market from a fund that paid rent, taxes, tithes, poor rates, &c. would give more of this value to the object upon which it was employed, than the labour employed in producing and bringing to market from a fund that paid none of those things; because they would enter into the price or exchangeable value of the produce of the one, and not into that of the other. In this sense the labour and stock employed in producing and bringing to

† Wealth of Nations B 2

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any particular seat of demand, the produce of nearer and more fertile land, will be more productive than that employed in producing and bringing to the seat of demand, the produce of more distant and less fertile land; because, while the price is the same, a greater portion of that price goes to rent, or *produit net*. The same may be said of appropriated mines, fisheries, &c. &c. as the rent of all appropriated funds is regulated by the same principles.

That the taxes and profits of monopoly enter into the price or exchangeable value of our manufactured enjoyments, and foreign luxuries, can hardly be disputed, except by a few direct partisans, for the purpose of establishing a favourite conclusion; and that the labour and stock employed in preparing and bringing them to market must, therefore, reproduce a value in exchange equal to those taxes and profits, over and above the wages of that labour and the profits of that stock, must follow as a necessary consequence. "Labourers and labouring cattle employed in "agriculture, not only occasion, like the work-"men in manufactures, the reproduction of a *value* "equal to their own consumption, or to the capi-"tal which employs them, together with its "owner's profits, but of a much greater *value*. "Over and above the capital of the former and all "its profits they regularly occasion the reproduction "of the rent of the landlord. This rent may be

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"considered as the *produce* of those powers of nature which the landlords lend to the farmers." *

In the same sense, the taxes upon manufactures may be considered as the produce of those powers of nature which Government lend to the manufacturer; and the profits upon the monopolies of salt, as the produce of those powers of nature in the sea which Governments lend to the salt-makers. The powers of the funds and instruments to produce these things, are not increased by the taxes and monopolies; nor are their qualities in use and enjoyment improved; but their exchangeable value is augmented, and their price increased. The errors arise from changing the sense in which the terms are used without changing the terms themselves; and affirming of the term in one sense, what can be with truth affirmed of it only in another. This is the great source of error and perplexity in this science; and its practical importance has thereby been almost entirely destroyed of late years.†

* Wealth of Nations, B. 2, l. 5. vol. 3. p. 53.

† The term "capital," in the 2nd chapter, will be shown to be more productive of error than the term "value."

The term "value" is used by Doctor Smith, in four senses:—1st. Value in use.—2d. Value in exchange.—3d. Value in esteem.—4th. [illegible] value. *in cost*

It is only when he uses the term without the adjective, that he can be misunderstood. He says water is extremely valuable in use, but has no value in exchange. A Diamond has much value in exchange, but very little in use.—Wealth of Nations, vol. i. p. 42. An old and faithful Horse or Dog may be very valuable in esteem, but have neither value in use nor exchange.

Mr. M'Culloch confounds value in use and value in exchange throughout his book; and I believe intends that they shall be understood to mean the same

* Lord Lauderdale follows Doctor Smith and says though agricultural labour is more productive than other labour, other labour is not therefore to be considered as altogether unproductive

Public Wealth P. 128.

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Mr. Malthus has fallen into the same error of supposing, that agricultural labour is more productive of what we require from it for our use and enjoyment, than any other species of labour, because it affords a rent to the landlord; and that its capacity to pay this rent must be chiefly or solely attributed to some peculiar powers in the soil, the gifts of nature to man.† These peculiar powers in the soil, which enable it to maintain more persons than are employed to work it, are, he supposes the source of rent; and other things do not pay rent, because they have not these peculiar powers. But the other funds or sources of our subsistence and enjoyments have the same powers: the springs and rivers supply with water more men than are employed upon them: the sea and salt-pits supply more men with that essential article than are employed to manufacture it. Do one nation's atmosphere and sea supply more vital air and salt than those of another, because they happen to be appropriated or monopolized? Are not the sea and the atmosphere of a prince, who is graciously pleased to leave them free to his subjects, as replete with the powers of supplying us with air to breathe, and salt to use, as those of another, who is graciously pleased to monopolize

thing. This is to be regretted, as it leads to confusion, embarrassment, and error; for by confounding them in his own writings, he does not always perceive their distinction in those of others. This subject will be treated more fully in the Review of the Second School.

† Smith has M. de Limardi nonsensical principles
Vol 1st P. 102 Chap 5
P. 281-287 Chap 12
So also Lord Lauderdale
Public Wealth 126-128-275-274-273

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or appropriate them? Mr. Malthus is one of the most amiable men and candid writers of his age; and I should be very sorry to misunderstand him.*

Whenever any fund or source from which we derive the necessaries of life, or its enjoyments, is appropriated, whether it be the earth, the mines, the springs, salt-pits, sea, or air, must pay a rent, or the property is unprofitable to the proprietor; and this rent, or whatever other denomination we may choose to give it, must be paid in the price of the necessaries or enjoyments we derive from it. As soon as a nation emerges from its pastoral and wandering state, land becomes appropriated and is made to pay a rent in some form or other. "Men," as Doctor Johnson has observed, "if they are not social, are at least gregarious;" and when they cease to wander over the unappropriated waste, their encampments, their villages, their towns, and their cities, become seats of demand for the produce of lands beyond their immediate vicinity.

The lands in the immediate vicinity become more valuable to their proprietors as sources of rent, in proportion to their fertility; and those more remote become more valuable as still more distant lands are had recourse to for supply. Different lands of equal fertility will give, as surplus produce or rent to the proprietor, nearly the same portion of the annual returns from the labour and stock

* See Principles of Political Economy, p. 140. 142. 149. 151. 227.

† "Man is" says Aristotle "naturally a herding and social animal" Politics B 3 Chap 4 "He delights in society for more than he loves or he is B 7 Ch

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applied to their cultivation; but the price of the returns from all being the same in the seat of demand, and this price increasing as more and more distant lands are had recourse to for supply, and greater costs are incurred in bringing that supply to market, more and more rents are paid to the proprietors of the nearer lands. As recourse is had to more distant lands, those less fertile, but nearer to the seat of the demand, are brought into tillage; and poor lands in the vicinity pay as much rent to their proprietors, as the richest lands at a distance.

Every seat of demand, when it becomes fixed, must from its earliest establishment have recourse to more distant and less fertile lands, as its population and demand increase; and as it does so, the price of produce increases; and with this increase the rents of the proprietors of the nearer and more fertile lands augment. It has been said that "in "New Holland, where there is an ample supply "of fertile and unappropriated lands, it is certain "that until the best lands are all cultivated, rent "will never be heard of."* But what is here assumed as certain will, I believe, be found contrary to the fact; for rents are now paid for very poor lands near the different establishments or seats of demand, while much very rich land at a distance remains waste and unappropriated.

* M'Culloch's Principles of Political Economy, p. 282. The author, I believe, intends to be understood to mean by the *best*, the most fertile lands. It is in this sense I understand him.

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On the first establishment of such seats of demand, (other things equal,) the most fertile parts are commonly selected; and the most fertile portions of these parts are first appropriated, either by common consent or by recognized authority; but as these seats augment in population, recourse becomes necessary to more distant and less fertile. The costs of supply from the poorest and most distant, to which recourse is at any time had for supply, must be paid in the price of the produce brought to these seats; and the produce of those less distant and more fertile selling at the same rate, they pay a greater and a greater rent. Seeing that land thus almost universally paid a rent in some shape or other, people were led to believe, that it could arise only from some powers peculiar to the soil; and that these powers alone could enable it to yield to the stock and labour applied to its cultivation, this new value in exchange, the *source of the wealth of every nation.*

"It is," says Doctor Smith, "the produce of "the land which draws the fish from the waters; "and it is the produce of the surface of the earth "which extracts its minerals from its bowels." But the surface of the earth is scarcely less dependent upon the waters and the mines, than the waters and the mines are upon the surface of the earth. Without the waters of the Nile, what would the lands of Egypt have yielded to the Pharaohs, and the Ptolemies? and without the rains

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from the clouds and the metals from the mines, what would the soil of England now yield to us? and without the atmosphere and the source of light, what would the surface of the earth yield to the labours of man in any part of the world; or in what part of the world could he labour?

All the funds or sources of subsistence are alike essential to man; and he could no more live without air, water, and salt, than without corn, herbs, and cattle. Limits placed to the powers of supplying what we require from any one of them, must necessarily limit the increase of those who depend upon it for their supply. Confine a man in a space that will contain respirable air enough for only ten days, and give him a year's supply of land produce, he will only live ten days. Give him water enough to support him only ten days, and furnish him with air and corn enough for ten months, and he will live only ten days.

Land is not more necessary to man because it happens to be limited in its powers of fertility, and extent of surface; all the things we have mentioned are equally necessary to our well being; but land being commonly more limited in its powers of supply than the other funds, and being more adapted to appropriation, is more commonly appropriated.

Let us suppose that the powers of springs to supply water were limited in the same manner; that the ancient city of Palmyra, for instance, had

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in its centre one spring, which in an early stage of its rise, supplied water sufficient for the people; that at a distance of ten miles from the city another was to be found, capable of supplying precisely the same quantity of water of the same quality; and that at every stage of ten miles, between that city and the Euphrates, a similar spring was available. When by the increase of population, the central spring should [illegible] be found incapable of supplying the demand for water, recourse would of course [illegible] be had to that situated at ten miles distance; and the price of water in the city being at least equal to the costs of conveying this water ten miles, the proprietor of the central spring would receive a rent equal to the cost of bringing as much water as his spring would supply, ten miles. If this spring at ten miles distance from the city had before paid a rent to its proprietor, being available there for the purpose of watering cattle, irrigating lands, &c. &c. this rent he would of course still have when converted to the purpose of supplying water to the people of the city, or he would not allow it to be so converted. This rent would be added to the costs of the supply, and paid in the price by those who used or enjoyed the water; and the spring in the city would pay a rent equal to this, over and above the sum equal to the cost of conveyance.

As the population increased, recourse would be had to the springs situated at the more distant

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stages; and the rent of those nearer would increase in proportion to the increased costs of conveyance to the great seat of demand, till they approached the bank of the Euphrates, whose powers of supply being unlimited, would render a recourse to a more distant fund or source of supply unnecessary. The costs of supplying this water from the most distant springs, to which recourse became from time to time necessary, must have been paid in the price; and as these costs increased, the price of water must have increased. As in all other things, the increasing demand would have caused the increased supply through the medium of an increased price; and the increase of price would have preceded the recourse to more distant springs, and increased costs of supply. The demand regulates the distance to which recourse shall be had for supply; and effects the supply through the medium of an increased price. But no increase of cost in the supply of water from the nearer springs would take place; and their rents would increase with the increase of price. Rent might or might not form a component part of the price of the water from the most distant springs, as they were or were not available and profitable in other purposes; but it would necessarily form a part of that brought to the seat of the demand from the nearer. The productive powers of these springs would not, however, be increased. The same quantity of water, of the same precise quality, and

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therefore value, in use, would be yielded by them; but its value in exchange and price would be increased, and the rent of the proprietors would increase in proportion.

Let us further suppose, that there had been in the vicinity of the city another spring, which, by digging to a considerable depth, might have been made to supply as much water as the central spring supplied without any digging at all. If the costs of digging and maintaining the well were less than those of bringing the water ten miles, when recourse became necessary to a second spring, and the necessity became indicated by the rise of price, it would be had to this deeper one near the city, before it would be had to the open one at the distance of ten miles. As long as recourse is necessary to more deep and distant springs, the price will necessarily increase, so as to pay the costs of bringing the supplies to the seat of the demand; and as this price increases, those less deep and nearer become more and more valuable, and pay a higher rent to their proprietors. Rent might or might not be paid for the deepest and most distant, to which that seat had recourse at any particular time; and might or might not form a component part of the price of the water derived from them; but it would necessarily be paid for the nearer and less deep, and form part of the price paid for the waters derived from *them*.

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Thus all the principles which regulate the value of lands to their proprietors, as a fund for supplying man with the necessaries of life and the materials of his more refined enjoyments, may be applied to any other fund, on which he is equally dependent; provided its powers be limited in the same manner. Land is not the only fund that requires the application of stock and labour to make it yield those things which our wants demand from it. Salt is drawn from the pits, the lakes, and the sea, only by the application of labour and stock; metals are drawn from the mines, and fish from the waters, by the same application.

In the early stages of society, before industry has extended beyond the cultivation of the land, seats of great demand are not formed by those who have the fruits of their own labours, in arts and manufactures, to offer as equivalents in exchange for those of agriculture. They are formed by those who, as proprietors of the soil, command its surplus produce in rents; or, by those who, as the officers of an authority paramount to that of the proprietors, command the whole or a part of that surplus produce, in taxes; and by those who depend upon them for what they require of this surplus produce for subsistence. It depends upon those who command the surplus produce, and the services, or mental and physical powers of those subsisted upon it, whether the latter are usefully, [redacted] employed. They com-

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mand the necessaries of life, and the services of those who depend upon them for subsistence; and if they do not employ them usefully, the fault is theirs. Man is an instrument whose mental and physical powers may, in the rudest state of society, be made to contribute to the security, comfort and happiness of his fellow-creatures; and these powers are always at the disposal of those on whom he depends for subsistence. Subsistence, in this early stage, is the only species of stock necessary to his efficient employment; and whether this be given to him as *capital*, with a view to a return of profit to the individual who gives it; or as revenue, with the view of benefiting society by his labours upon some great and useful work, he is equally employed.*

In Peru there was but one great city; not, as Doctor Robertson supposes, because industry had not extended to manufactures and commerce, but

* It has been said that the employment of the people depends upon the accumulation of capital. But if by capital is meant, as Doctor Smith means by it, the produce of industry employed with a view to individual profit, the conclusion is not just.

Both Doctor Smith and Mr. M'Culloch say that their employment depends upon floating capital only, and of floating capital, upon that part only, which consists of food, tools, and clothing. This reduces the terms of their propositions to a tangible shape; but the sense of the term is often changed in every page and every proposition, without any change in the word *capital*. Mr. M'Culloch makes employment depend upon food and clothing, whether they be employed with a view to profit or not. Then pray how can he say, that three millions a year are sent in food and clothing, from Ireland, to pay absentees, and still deny, that any part of the produce on which the employment of labour depends, is sent out of Ireland? Of this I shall treat again by and by.

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because the whole of the surplus produce of the earth was distributed through the medium of the sovereign, and all the great public establishments of the empire, to whom that surplus was distributed, were concentrated in the capital or seat of his residence. In Mexico there were thirty cities, not because industry had been more extended, but because there were thirty great territorial proprietors, or mediums through which the surplus produce of the earth was distributed to establishments maintained at the seats of their respective residences. In the empire of Congo there were many cities, though society was in a still ruder state than in Mexico or Peru; not because industry had extended, nor because there were many great territorial proprietors; but because the emperor delegated his authority to viceroys of provinces, who became, as in China, the mediums of distributing the greater portion of the surplus produce to great public establishments, maintained at their residences.

But those subsisted upon the surplus produce of the land were more usefully or more innocently employed in Peru, which had only one great city, than in Mexico or Congo, where there were many.* There subsistence was not given to them as *capital*, with a view to individual profit; but as *revenue* expended with a view to benefit society in general

* Peru had only one great city. "In all the dominions of the Incas only one place, Cuzko, had the appearance or was entitled to the name of a city." Hist. vol. 3. p. 353. — Mexico had many. Hist. vol. 3. p. 315, 316.

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by their labours; as in Egypt, where all the great and useful works, in roads, canals, bridges, granaries, &c. &c. were formed by subsistence distributed as revenue. Peru had two great roads so formed, from Cuzko to Quito; each fifteen hundred miles long, and both furnished with bridges, granaries, and places of accommodation throughout their whole extent. These works, though not formed with a view to profit, were really profitable to the sovereign; for, by facilitating the distribution of the produce of the land, they set a vast number free from that employment, and left them at the disposal of the sovereign for other purposes, because he alone commanded the surplus produce, on which they depended for subsistence. They were still more useful to the people in general. They contributed to their security, convenience, and enjoyment; and the stores preserved throughout their whole extent, made years of plenty supply the deficiency of years of scarcity.

In Mexico and Congo* no such great and useful works were formed; and though there were more towns and cities, the mental and physical powers of those who depended upon the surplus produce of the land were less advantageously or less innocently employed.† Their establishments consisted chiefly and almost exclusively of soldiers;

* See an account of Congo in the Latin compilation of M. Gotardus Arthus Dantiscanus. I know of no translation of this work; but it deserves translation. Published 1608, caput. 6. p. 124.

† There was scarcely a passable road in all the empire of Mexico.

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while those of Peru were chiefly composed of the religious order, which is said to have received nearly one-third of the annual produce of the land.* No doubt the greater part of this ecclesiastical establishment might have been employed more advantageously for the society; but where a great portion of those supported upon the surplus produce of agriculture must be left idle, they are more innocently idle as priests than as any thing else; and in these early stages of society large ecclesiastical establishments seem essentially necessary to internal order and security.

As the powers of the land to supply the necessaries which man requires from it are commonly more limited than those of the other funds, the population of such great seats of demand, before industry has extended beyond agriculture, and when all the lands are cultivated, can extend only with an increase of territory, or with improvements in the system of tillage. The surplus produce of the domestic lands is not, in such states of society, purchased from farmers and cultivators with equivalents; it is exacted as a right by the Governments, in taxes; or claimed as a property by the landlords, in rent. But these rights and claims cannot extend to other states and communities, that are independent of them; and as they can, in this state of industry, have no equivalents to offer to such states and communities, in exchange for

* Robertson's America, vol. 3. p. 338, 339.

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the surplus produce of their agricultural industry, their population can never extend beyond the numbers whom their own lands can provide with the necessaries of life.

In such societies those only can be free and independent, who have a property in the land, or in some instrument necessary to its cultivation; all the other members must depend, either upon the proprietors of the land or upon the Government; and in the free states of ancient Greece, as the number of free citizens was continually diminishing by the concentration of landed property, they were always proposing to extend the number by new sub-divisions of the land.* It is common to suppose that in these early stages of society, when the sovereign is the great proprietor of all the lands, because he is the great medium of distributing all their surplus produce, all his subjects are slaves; but it is generally found, that more *free men* are employed directly and indirectly in the cultivation of the lands of such a nation, than are employed in cultivating those of nations in which the land is distributed in property among the subjects.†

In Mexico, for instance, there were thirty great feudal or territorial lords, who had uncontrolled jurisdiction within their own dominions, each over a hundred thousand subjects, like the great feudal lords of the middle ages in Europe. They distri-

* Polybius, B. 5th, l. 9th.

† In England when all those who cultivated the lands were reduced to a state of villenage, the villains who cultivated the demesne lands of the Sovereign were a privileged kind of villains who held by a tenure superior to that by which the villains of the

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buted the greater portion of their lands to inferior nobles in property, on condition of military service. The inferior nobles, having but a small portion of land, the cultivation of which they could immediately superintend and inspect, reduced all those by whom the lands were tilled to complete slavery and bondage, in order to take the greatest possible portion of what they produced. The lands distributed among them were tilled almost entirely by slaves; as those distributed in allodial property among the Saxons in England, were tilled by the ancient Britons reduced to slavery. But the great feudal lords could not themselves superintend and immediately inspect the cultivation of their reserved lands. Instead, therefore, of urging those who cultivated them to work by the fear of the chain and the lash, they were obliged to invite them to it, by leaving to them a greater portion of the annual return. Those who cultivated the lands of the great lord were, therefore, more free than those who cultivated the lands of the inferior nobles.

But the sovereign was still less capable than the great feudal or territorial lords, to superintend and inspect the cultivation of his domains; and found it still more necessary to invite men to till them by leaving, as the reward of their industry, a greater portion of the annual returns. All the farmers and cultivators of the imperial domains were free; and where all the lands of the empire

belonged to the sovereign, all the farmers and cultivators were free men. In the estates of the inferior nobles of Mexico, we are told every free man held land in property;* but this was because every man, who was not a noble with landed property, was reduced to the state of slavery. The Saxons, when they seized upon and divided the lands of England, reduced all the former occupants, to the number of more than a million, to slaves, transferable with the lands.†

In Peru no man held land in property, and yet every man who cultivated the land was free, and held his lands on certain tenures, stipulating the portion of the produce he should pay to the sovereign, and that which he should retain for his own use.‡ Those only were considered in a state of servitude, who depended upon the surplus produce distributed by the sovereign, without holding an office, or having any thing to offer but their services; and they were employed in distributing that produce, and forming and repairing the public works.§ When I say that in Peru no man had a property in land, I of course do not mean to use the term as a *mathematical universal*, to which there is no exception; as some lands were no

* Robertson, vol. 3. B. 4.

† Wilfred received from a Saxon convert an estate with the persons and property of its inhabitants, to the amount of eighty-seven families. Gibbon, vol. 4. p. 171.

‡ They had no right whatever to alienate the lands given to them to till. Hist. B. 4th.

§ Robertson's Hist. B. 4. vol. 3. p. 296.

doubt given to priests and favourites; and some might have become property by prescription, as in those nations, (Egypt, Persia, and India,) of which Peru was a rude picture. I do not pretend to give a picture of society; I merely use a picture already given, as an illustration.

In this early state of society no great town or city could grow up independent of public establishments, under a very minute subdivision of landed property; as all the surplus produce would be consumed by the proprietors upon the small portions of land that yielded it.* We are told that at one time England had above fifty thousand towns; and these could not, of course, [redacted], have been any thing more than aggregate masses of husbandmen.† Every great town or city that may have grown up independent of public establishments, under a different system, must, in such a state of society, or in any state, like that of India, which approximates to it, be destroyed by a minute subdivision of landed property.

We may judge from the sacred writings, that landed property had been minutely subdivided in Egypt before the administration of Joseph: and that there were neither towns nor cities but what were composed by the officers of Government, the

* The states of ancient Greece had their cities formed of public establishments, though the members were paid in rents and not in taxes.

† I forget the number and expression, and recollect only the sense.

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priests, and their immediate dependents. But by the purchase of all the cultivated land, made by the sovereign during the famine, he was enabled to form towns and cities, "throughout the land of Egypt; and this must have been a very important change in the constitution of the Egyptian society, though I do not remember ever to have seen it noticed by any writer.* The agrarian cities then formed were, possibly, the seats of all those magnificent cities so much vaunted in after ages; for while industry was so much confined, the mental and physical powers of those who formed the edifices by which they were adorned, must have been at the command of those who drew the surplus produce of the land in rents, as proprietors, or in taxes, as the officers of Government.

When the lands were minutely divided among the Israelites, all the cities which had grown up under a different system disappeared; as those which had grown up under the Roman dominion disappeared in Europe under their successors. In Israel, cities again grew up as the kings became the mediums of distributing a considerable portion of the produce of the land to fixed establishments; and the employment given by David and Solomon to those who depended upon this surplus produce

* "And Joseph bought all the land of Egypt for Pharaoh; for the Egyptians sold every man his field, because the famine prevailed over them; so the land became Pharaoh's." "And as for the people, he removed them to cities from one end of the borders of Egypt even to the other end thereof." Genesis, chap. 47.

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for subsistence, in great works of ornament and utility, is one of the greatest evidences we have of their wisdom. It will be my object to show, in a subsequent chapter, that similar works might be formed in every part of our Indian empire with infinite advantage to the people, and without any sacrifice whatever of revenue to Government; because industry is and must long remain confined almost exclusively to agriculture.

When society has advanced, or industry has extended to manufactures and commerce, a portion of those who had depended for their subsistence upon the proprietors of the soil, or upon the Government and its officers, acquire an independent claim upon what they require of the annual returns of agricultural industry, in the produce of their own mental and physical exertions, offered as an equivalent. All those who subsist upon the surplus produce of agriculture are no longer obliged to follow and attend upon those who command it, as the proprietors of the soil, or as the servants of the sovereign. They offer their equivalents to those from whom they require the fruits of the earth; and a bond of mutual dependence is formed between them. The seats of demand for land produce no longer depend upon public military, ecclesiastical, and other establishments; nor is the population any longer necessarily confined to the numbers that the lands of any particular community can be made to maintain; as these equiva-

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lents can be made to purchase the necessaries of life from distant and independent nations.

Seats of demand for land produce in towns and cities grow up not only independent of the lands they possess, for subsistence, but often without having any lands of their own at all employed as funds of supply.* The city of Palmyra was founded by Solomon in a situation which his wisdom discovered to be advantageous, as an entrepot for the Indian trade; and it grew up to opulence and splendour in the midst of an arid and uncultivable waste. The great commercial cities of Tyre and Sidon had scarcely lands enough to furnish pleasure grounds for their wealthy citizens. Such cities, depending, not upon their own territorial funds, but entirely upon the employment of their *instruments of distribution*, like Venice and Holland, in later ages, might rise and flourish upon a barren rock, or in the midst of a dreary and steril waste, entirely independent of their own lands, or of any lands immediately around them, for a supply of necessaries, however agreeable and valuable they might find them as gardens and pleasure grounds. † Hiram, who reigned over the commercial city of

* Mr. Ricardo and his School wish to establish, that profits depend entirely upon the powers of the last lands taken into tillage; and can be reduced only by the necessity of recourse to poorer soils. This is making a cause out of an effect The index in the Nile does not cause the rise of that river; it merely indicates it to the people. They assume that all instruments in commerce and manufactures can always find employment. How did Palmyra, Tyre, Rhodes, Venice, &c. lose employment for theirs. Justinian by introducing silk destroyed some cities, supported entirely by the instruments which had brought it from India.

† Josephus says Hiram requested Solomon to pay him for his timber in corn, because they had in an Island and had not land to supply them with Solomon sent him annually 20,000 cori of wheat and as many baths of oil

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Tyre, despised the twenty agrarian cities, presented to him by his friend and ally, Solomon, as exhibiting nothing but a land of chains and slaves.*

It is manifest, that in one case, where industry is confined to agriculture, and land the only fund of the necessaries of life appropriated, all taxes must of necessity be ultimately incident upon those by whom it is appropriated, however they may be levied or imposed; but it is equally manifest, that in this case they must of necessity be so incident, merely because no other fund of the necessaries of life happens to be appropriated by the state, or by individuals. By the appropriation they have constituted themselves, or have been constituted, the mediums of distributing the surplus produce of the fund appropriated; but had any other fund been appropriated, the persons appropriating would have been the mediums of distributing its surplus produce, in the same manner. The proprietors of the Nile might have had as valuable a property as the proprietors of the lands, whose powers of fertility were unavailable without its waters; and the farmers of many hundred

* This passage has been rendered differently; but "land of Cabool" means land of Fetters; doubtless from the land being cultivated by men in fetters; as they were in Europe, and have been all over the world in a similar states of society. "To bind their kings with chains and their nobles with *fetters* of iron," and Cabool means fetters, both in Hebrew כבול and in Arabic, كبول See Psalm 149. Psalm 105, "whose feet they hurt with fetters." In these passages the same word is used in a different measure I admit; but it is used in the same measure to express the same thing in Arabic; and as it is used no where else in the Bible, it is fair to conclude that it is used in this sense there.

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estates in every nation of the world would at this moment double their rents for a stream of water equal to the irrigation of their lands.

It is manifest, that in the other case, where industry has extended to manufactures and commerce, all taxes are not of necessity incident upon the proprietors of the lands; but that heavy taxes may be levied, and large public establishments maintained, without any rents at all being received from domestic lands, as funds of supply. Though history, as is justly remarked by Mr. Hume, tells us of no state or city that rose to wealth or power in ancient days by means of manufactures, history is replete with instances of their so rising by means of commerce. The funds or sources of wealth* are the lands, the mines, the fisheries, &c. &c. of a nation; the instruments are those of production, preparation, and distribution. Cities and states have risen to power and opulence without any domestic funds in lands, mines, or fisheries; and consequently, without any instruments of production applied to them. They have also so risen without any instruments of production in manufactures; and, consequently, their wealth and power have depended entirely upon the employment of those instruments by which the commodities of distant nations have

defines wealth to embrace

* [illegible] Mr. Malthus, "every material thing necessary, useful, or agreeable to man;"

Lord Lauderdale defines wealth to be "all that "may desire as useful or delightful to himself "-ourselves to be exchangeable value"

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been distributed.* Of such states and cities there are two classes; the commerce of one being *maritime*, that of the other *inland*.

India sent a constant supply of luxuries to the West, which enriched, by the employment of commercial instruments, every region through which it passed, from the days of Solomon to those of Vasco de Gama. As this stream changed its course, states and empires rose and went to decay. In the track to which it became diverted, the most steril and solitary deserts became the seats of busy multitudes, enriched by arts and adorned with magnificence; while in that from which it was turned, the most splendid cities become solitary ruins; and countries rich in every natural gift, became waste and solitary. But India itself, the fruitful source of all these mighty revolutions, the seat of all the funds from which these luxuries were drawn, and of all the instruments by which they were produced and prepared, remained unconscious and unchanged.†

Rich perhaps in all the materials of what Mr. Burke would have called "philosophical happiness;" but poor in all those which he would have denominated "vulgar happiness;" — no domestic industry, no foreign equivalents diffused substantial comforts among the great mass of her people; no arts enriched, no taste adorned her cities. The specie she received from the West remained an

* I do not of course here consider those which have risen by conquest.

† Je juge même, en médi tant sur les révolutions des siècles qui suivirent, que le commerce fut un agent principal de ces grandes mouvements de la terre. Sans doute des chroniques steriles ne vous font point raison" Volney Chap 20

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useless and unprofitable deposit in the palaces of her princes, and the temples of her gods,* till the invasion of the Mahommuduns.

The instruments by which these luxuries of the East were distributed to and among the nations of the west, peopled and enriched every place where they became seated and established, whether these instruments were maritime or otherwise; and the wealth and power of such places went to decay, and disappeared, as these instruments lost their employment, or changed their seats. Some of these seats of the instruments of distribution had, as I have stated, scarcely domestic lands enough to furnish gardens and pleasure grounds for their opulent citizens; and very few of them sufficient to provide subsistence for their people. But rising to wealth and power by means of commerce, they drew from other nations ten times the quantity of agricultural produce that their own lands could ever have been made to yield; and might have supported by taxes ten times the amount of public establishments, that all the *produit net*, or surplus produce of their own agricultural labour could have maintained. They might have paid to these public establishments ten times the amount

* Pliny estimates the money sent annually to India by Rome, at fifty millions of Sesterces. Lib. 6. 1. 23, and that sent by the whole empire at one hundred millions. Lib. 12. 1. 18.

The Venetians sent annually, in the beginning of the 15th century, five hundred thousand ducats.—Macpherson's Introduction to Hist. of European Commerce with India.

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of money that all their domestic lands could be made to yield in rent, at whatever costs their foreign supplies were imported, and to whatever price the domestic produce had been raised.

In a state like Sparta, where industry was confined exclusively to agriculture, the population could never exceed the numbers that its own lands could be made to supply. The lands were tilled by slaves, who, out of the annual returns, were never permitted to enjoy more than what was absolutely necessary for their subsistence; and the surplus produce was distributed among the idle proprietors, to whom every species of industry was disgraceful. Their business was to eat, play, and fight; and when their numbers pressed against the means of subsistence derived from their slaves and their fields, they were either sent out in colonies, to seize and appropriate other lands, and reduce other people to slavery, or were put to death. They were not, as in commercial and manufacturing states, employed in domestic industry, to prepare equivalents, by which the produce of the lands of distant and independent nations might have been purchased, to subsist increasing numbers. The taxes of such a state, when no other fund was appropriated, must have been of necessity ultimately incident upon the proprietors of the land.

In a country that has no tributary provinces; no absentees, spending incomes derived from other

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countries; no people returning home with property acquired in other countries; no contributions from other countries to her domestic establishments and institutions; no industry but agriculture; and no other fund or source of the necessaries of life than the soil appropriated, all taxes must necessarily be ultimately incident upon the proprietors of that soil, and be paid either directly or indirectly out of their rents. But where is such a country to be found, among the nations of modern Europe?

Athens was, perhaps, less a commercial than a manufacturing nation. The lands of that state, as we learn from the Economics of Xenophon, were all well cultivated by slaves, under the superintendence of free citizens; but Athens, as we learn from Demosthenes,* imported a great part of the corn, oil, and wine she required for her people from distant and independent nations. The citizen of Athens, who had a hundred slaves, employed as instruments in a domestic manufacture, to *prepare* equivalents with which to purchase the corn, oil, and wine of distant nations, had as valuable a part of the surplus produce of the national industry, as he who had a hundred slaves employed as instruments upon his farm in producing corn, oil, and wine.* What the one imported in exchange for his manufactured commodities, would be as

* He told the people that Philip of Macedon knew well, that they, of all people, used the greatest quantity of imported grain. See Corona.

* "The export of all land produce but oil was prohibited by Solon who encouraged manufactures at Athens in order to draw from other nations in exchange the produce of Agriculture and thereby maintain a larger population than it could otherwise have ..."

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much a portion of the annual reproduction, as what the other obtained upon his lands; but any tax imposed upon the imported corn, oil, and wine, instead of falling upon the land-proprietor, would necessarily increase his rents by increasing the price of these articles.

A seat of demand for agricultural produce, to be purchased with equivalents, whether that seat be a town, a city, or a nation, may be established upon the revenues or incomes derived from the employment of domestic funds and instruments; or upon a revenue derived from the employment of foreign funds and instruments. While the amount of the revenue is the same, the effects upon the land, and its value to the proprietors, are in all ordinary circumstances the same. As this revenue increases, and this seat augments, recourse becomes necessary for supply to more distant and less fertile lands. The increasing demand indicates itself in an increased price; and an increased price invites the cultivation of less fertile and more distant lands.

The powers of nature which operate in agriculture being limited, and, as it were, concentrated in appropriated mediums, every augmentation in a seat of demand for their produce renders necessary a recourse to less fertile and more distant funds, from which supplies are brought at greater costs; and unless the price rises so as to pay the costs, the supplies will not be brought. The price rises

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because the supplies are indispensably necessary; and as it rises, the proprietors of the more fertile and nearer lands, or concentrating mediums, draw a greater and a greater rent.* The demands at any particular seat must regulate the distance of the land, and the quality of the soil, to which recourse shall at any particular time be had for supply; and the demand must effect the supply required, through the medium of a rise of price, equal to cover all the costs of bringing it from these lands.

Those who demand effectually must have wherewithal to pay these costs; whether their revenues or incomes be derived from the employment of domestic funds and instruments, or from the employment of those of distant nations; whether in taxes, tribute, or private incomes; and, as Doctor Smith has justly observed, "the price "of each particular kind of produce must evi- "dently be previous to the improvement and "cultivation of the land which is destined for "raising it."† When the produce from the poorest and most distant lands, at any time in tillage,

* "The rent of land not only varies with its fertility, but with its situation, whatever be its fertility." — Wealth of Nations, vol. i. b. i. c. 7. and 11. p. 87. and 228.

"Land in the neighbourhood of a town gives a greater rent than land equally fertile in a distant part of the country. Though it may cost no more labour to cultivate the one than the other, it must always cost more to bring the produce to market from the distant land." Ibid. vol. 1. and Malthus on the nature and progress of Rent.

† Wealth of Nations, vol. i. b. i. c. 11. p. 358.

becomes insufficient to supply the wants of the people at any seat of demand, the price rises, and indicates that recourse is necessary to lands still more distant and less fertile; and labour and stock, invited by the rise, are applied to them. The rise of price is an index by which every seat of demand, however great, or however small, makes its wants known to those by whom it is to be supplied; and it is as well understood by the landlords and farmers of other nations, as that of the Nile was by those of Egypt.

The application of labour and stock to more distant and less fertile lands is an effect, and not a cause, as it has by some been assumed to be.* Labour and stock are invited to their cultivation, because it promises greater wages and profits than can be found in other employments; and this labour and stock are withdrawn when other employments offer greater wages and profits. If lands of equal fertility, that is, yielding equal returns with precisely the same application of labour and stock, be employed in the supply, the value of one portion will be greater than that of another to the proprietor, just in the same proportion as it is nearer, and the expense of conveyance less. The produce of both sells for the same price at the same seat of demand; but out of this price the costs of conveyance must be defrayed; and these are greater from the more distant. Out of the

* Ricardo, Mill, and M'Culloch.

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price of produce more rent will, therefore, be paid to the proprietor of the nearer. If lands be employed of different degrees of fertility, but yielding the same returns (owing to the unequal application of labour and stock,) we may suppose that the value of one portion to the proprietor will be greater than that of another, in proportion as a less quantity of labour and stock is employed, provided that both descriptions of land be equally well situated with regard to the seat of demand. Out of the same price for the same quantity of produce, more wages and profits, and consequently less rent, will be paid on the poorer lands.

If the poorest lands employed in the supply in the vicinity of the seat of demand, be equal in fertility to the poorest employed in the supply of the same seat at a great distance, it is obvious that the former must pay a considerable rent to their proprietors — a rent equal to the expence of conveying the produce to that seat of demand from the poorest of the most distant lands. The degree of fertility, or the distance to which recourse is at any time had, is an effect and not a cause; and can have no operation in reducing the profits of stock employed. While this stock is freely convertible to other purposes, it will command the profits that can be made by its employment in the other purposes to which it is convertible. If the demand increases, and indicates itself by a rise

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of prices, it is invited from such other purposes to the land; and if the demand diminishes, and indicates itself by a fall of prices, the landlords must diminish their rents, or the stock will be diverted to other employments. Supposing the stock freely convertible, its profits are not influenced by recourse to poorer and more distant soils, as a cause.* If there be any error in my reasoning, it will be very easily detected. My object is to be clearly understood; not to support a particular theory; and I have avoided using any term either vague or ambiguous, and assuming, as a premise, any conclusion, the truth of which is not generally admitted.

If those lands which, according as demand increases at any particular seat, are required to be diverted to the supply, had before paid any rent to their proprietors — if, for instance, they had paid a small rent as pasture lands, but are now required to supply tillage produce — the price of tillage produce must necessarily rise, so as to enable the farmer to pay this rent, over and above all the other expenses of producing and bringing to market, before such lands will be converted to the supply. Doctor Smith supposed, that the worst and most distant lands to which recourse became necessary from time to time for tillage produce, would be worth something to their proprietors for

* The Ricardo School assumes that the rate of profits is entirely governed by these as a cause.

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other purposes; and that till the price of produce rose so as to pay this something in rent, over and above all the other costs, it would not be converted to the supply.*

This conclusion, the truth of which practical men readily admitted, has been disputed, or rather denied, by Mr. Ricardo, as its admission would destroy the foundation of all that is original in his theory. He has endeavoured to prove, that the poorest and most distant lands to which recourse is at any time had for supply, pay no rent; and that the price of the produce derived from them must, therefore, be composed entirely of the wages of labour and the profits of stock employed in producing and bringing to market.† This is merely applying to the soil what Doctor Smith himself had said with regard to coal mines;† and the question whether it can or cannot be truly affirmed of the produce of land, as it possibly may of the produce of mines, that in the price of that which comes from the most distant and least fertile soil no rent is paid, may be left to the schools, and can be considered of no importance by practical men.

Some states and communities may be so circumstanced as to draw agricultural produce from foreign countries, while they have much fertile

* Wealth of Nations, vol. i. b. i. c. 11. p. 227. to 257. and 358. and vol. iii. b. v. c. 2. p. 379.

† Wealth of Nations, vol. i. b. i. c. 11. p. 258.

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land at home waste and uncultivated. Others, on the contrary, may draw no agricultural produce from foreign countries, while the very worst of their lands at home may not only be cultivated, but pay a high rent to their proprietors. The price at which foreign supplies can be purchased at the seats of demand in any particular state must, ordinarily, depend upon the costs of production in the countries to which recourse is had for supply; the costs of conveyance from these countries to these seats; and the taxes or duties paid upon the supplies in the different stages of their progress. All these costs united may amount to no more than the wages of labour, and the profits of stock, required to produce the same kind of supplies upon lands of the first quality at home, in a manufacturing and commercial country. This labour highly skilled and stock highly profitable, employed in manufactures and commerce, might purchase more agricultural produce, encumbered with the costs of conveyance and taxes, from foreign countries, than they could produce if applied to soils of great natural powers at home; and while they can do this, labour and stock will not be invited to the cultivation of such lands. But when the costs of foreign supplies become augmented by the necessity of recourse to countries still more distant, or by taxes, the price of produce increasing will invite labour and stock to the tillage of their lands The price of produce

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might go on increasing till labour and stock had been invited to the cultivation of the most distant and very worst soils of such a state.

Arthur Young very justly concluded, that stock had been diverted from the cultivation of the lands in France by the injudicious measures of the Government, which had given too great encouragement to its employment in commercial and colonial industry, and too much discouragement to its employment in agriculture.* England has invited the application of labour and stock to the cultivation of poor soils, distant from the seats of demand for their produce; but their cultivation is the effect of prices increased by means of import duties, and the consequent application of labour and stock to their tillage. The profits of stock in other employments are not less because stock is applied to poorer and more distant lands;† but labour and stock are invited from other employments to poorer and more distant lands, because a rise of prices offers greater wages and profits.

* See Travels in France, vol. i. p. 437. to 443. Arthur Young is, however, much out, when he supposes the East Indies take any capital from English land. An honest indignation carried him too far.

† This is the hypothesis of Mr. Ricardo's School. Mr. Mill (with Mr. Ricardo, and Mr. M'Culloch) considers the profits of stock in agriculture a cause regulating all other profits, p. 71, 72, 73. 82. and 63. Principles, &c. But an effect, and regulated by the ordinary rate in other employments, p. 200. 202. 242. 277. and 280. Principles, &c. and in p. 78 and 79. Capital is invited to land from other employments by *increased demand for*, and *price of produce*, and increase of profits; yet *profits are thereby reduced*. How are these things to be reconciled?

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No doubt a great deal of the poorer and more distant lands of England owe their cultivation and improvement to the taxes imposed upon the foreign supply; and if these duties were removed, no doubt labour and stock would be driven from their cultivation, to seek employment in other branches of industry. The great seats of demand upon the sea coast, and banks of navigable rivers, would no longer have recourse for supply to those lands, poor and remote, from which they are now furnished; and as these were thrown out of tillage, the better and nearer lands would pay less and less rent to their proprietors. But it is very erroneous to suppose, as seems too commonly the case with closet reasoners, that the last lands taken into tillage must always be found in the course of time the least fertile: and that, "those taken into cultivation three hundred years ago,"* must necessarily be now more fertile than those taken into tillage only twenty. The last lands taken into tillage may be much richer in natural powers than those which have been long in cultivation; but from the difficulties and costs of removing impediments, and rendering those powers available, a very high price may be requisite to invite the application of labour to them in

* Ricardo, p. 286. He supposes the natural powers of the soil "original, inexhaustible, indestructible." p. 49.

[redacted] so Mr. Mill supposes these powers of the soil, p. 31 and 71, second edition.

the first instance, In all probability, much of the land brought into cultivation by these import duties is now the richest in the country.

Among maritime nations the price of agricultural produce does not increase with the increasing demand in the same degree, nor to the same extent, as in inland countries, provided the costs of supply be not augmented by import duties. The difficulties and costs of supply must always be less, from the greater facilities of conveyance by sea; and from those of communication with countries in which the wages of labour are less, and the natural powers of the soil to which that labour is applied, are greater, and less exhausted by long tillage. Under a system of free imports, and with seats of demand of the same number and magnitude, labour and stock will be more tardily invited to the cultivation of poor and distant lands in a maritime than in an inland country; and the lands will, consequently, be less valuable as a source of rent to their proprietors.

Other things equal, lands will pay a rent to the proprietor, in proportion as the costs of conveyance to the seat of demand for produce is less from them than from others, to which that seat has recourse for supply; and the distance to which recourse is at any time had being the same, the costs of conveyance are in proportion to the difficulties of transport. Any great seat of demand in an inland country must, therefore, pay

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a higher price for land produce, brought from the same distance, than a similar seat with a convenient harbour upon a sea coast; and one situated in an inland country without facilities of transport in navigable rivers, canals, bridges, and good roads, must, for the same reason, pay a higher price for land produce brought from the same distance, than a similar seat situated in a country that has the conveniences.

The Island of Mauritius, for instance, which imports land produce from New Holland, the Cape of Good Hope, Madagascar and India, at present (1827), pays freight from Calcutta at the rate of forty shillings a ton, upon the rice received for the use of the slaves; and about the same is paid for conveying a ton of land produce to the port from places ten or twelve miles distant, notwithstanding the vast improvements which the Government has made of late years in the facilities of conveyance. The one is brought above forty degrees of latitude and above thirty degrees of longitude, at the same cost that the other is conveyed ten or twelve miles. The price, therefore, never rises to invite labour and stock (dear as they are in Mauritius) from the cultivation of sugar to the production of the necessaries of life upon these distant lands, for the supply of the port.*

When the increase of demand at any particular

* The rent of lands is in consequence very little; indeed a good deal of the very richest soil, ten miles distant from the town, is waste, and unsaleable.

seat arises from the increase of revenue, derived from the employment of the instruments of that seat in manufactures, commerce, &c., the wages of labour no doubt increase more with the increase of demand, than where it arises from an increase of revenue, derived from the employment of the funds and instruments of distant places. They rose probably more in the vicinity of Tyre, Rhodes, Carthage, and Athens, than in that of Rome, Byzantium, and Alexandria. They rise probably in the present day more in the vicinity of Liverpool, Manchester, Glasgow, &c. than in Madrid, Rome, Constantinople, &c.; and where they do so rise, the rents of land must increase less.

It has been sometimes found also, that where the increase of people, at any particular seat, arises from an increase of revenue, derived from distant countries, whether in private incomes or public tribute, the price of land produce does not increase with the increasing demand in the same proportion as in other seats. Agricultural poroduce has, in such places, sometimes been found the only available medium in which these private incomes and public tribute could be remitted. Rather than not draw any revenue at all from the distant countries on which their claims are secured, the Government or the individuals draw it in the raw produce of the land at a considerable loss; and the price is rendered thereby less than it

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would be at such seats, were they left to be supplied by the free competition of industry.*

This was the case at Rome, a seat to which private incomes and public tribute were remitted from all quarters of the empire in land-produce; and the lands in the vicinity of that great city with all her facilities of conveyance from distant provinces, paid probably as little rent as funds of supply, as those in the vicinity of her great granaries of Egypt, Africa, and Sicily.† Tacitus lamented, that Italy, which had formerly sent supplies of agricultural produce to distant provinces, should, while yet the fertility of her soil was unimpaired, be reduced to a dependence upon Africa, and Egypt; and that the lives of the Roman people should be committed to the winds and waves. It had, perhaps, been more just to complain, that by the plunder of other nations, the Romans should have been maintained in an idle dependence upon a few great senators.

In India every little village is a seat of demand for agricultural produce, as will be described in another part of this work; but the great seats of demand, which are alone to be considered in this place, are scarcely any of them founded upon revenues derived from the employments of instruments in manufactures, commerce, &c. &c.

* See Wealth of Nations, vol. i. p. 232. b. i. l. 11.

† Tacitus, in describing the visit of Germanicus to Egypt, says it had been thought, that the man who should possess himself of that province might starve Rome.

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They are almost all founded upon revenue derived in taxes and tribute from distant places; and composed of the public establishments of Government, and their dependants in different capacities. The increase of demand at such seats arises from an increase of these establishments; and a diminution from a decrease; and as all their luxuries and the greater part of their conveniences are supplied from the industry of distant places or countries, they have little influence upon the wages of labour in their vicinity, except as they raise the price of land produce with their increase, and reduce it with their decrease.

As these seats of demand are augmented by increased public establishments, and recourse becomes necessary to more distant lands, the price of land produce increases; and the rents of land increase the more that the wages of labour have been increased less than in seats of demand differently constituted. In other countries, good roads, canals, bridges, and other facilities of distribution, follow an increase of population and demand at any particular seat; whether that increase arises from one species of revenue or the other; and by reducing the costs and difficulties of conveyance, the price of produce is prevented from rising so much as it otherwise would do with the necessity of recourse to more distant lands. But in India this is rarely the case. As demand increases, and recourse becomes necessary to lands more and

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more distant, no improvements are made in the means of transport; and the price increasing with the increasing demand, the value of the nearer lands augments, whether that value be taken in rents by the proprietors, or in taxes by the Government.*

Nor is the increase of demand at such seats in India ever prevented from causing a corresponding increase of price, by land produce being made the channel of remitting to them private incomes or public tribute; as had been the case in Rome, and is, perhaps, still the case in some parts of the world. The public revenue by which these establishments are supported is all levied from the distant places which contribute it, and paid to those who receive it, in money; and with this money is purchased what free competition brings to the market. The price is prevented from rising neither by a remittance of revenue in land produce, nor generally by the formation and improvement of great works, to facilitate distribution; and while the price of produce increases with every augmentation of establishments and demand, the rents of the land from which these seats are supplied must increase.

* Since the administration of Lord Hastings, works to facilitate distribution have been formed upon a scale worthy the dignity of our Government, as will be noticed in a subsequent chapter. One of the great minds in which this improvement in our Indian administration originated, has, unhappily, been taken away in Mr. John Adam; and it cannot but be a subject of regret to the sensible part of the mercantile community, that they lent themselves to the party of Mr. Buckingham, to embitter the last days of a man whom they know to have contributed so greatly to the benefit of our Eastern dominions.

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This reasoning will probably be thought to account satisfactorily for a great portion of those revolutions in the value of landed property in India, which have been so often seen, so often lamented, but never satisfactorily explained in any publication with which I am acquainted. Seats of demand for agricultural produce are very suddenly formed and augmented by our public establishments; which are, in the present state of society and industry, almost the only centres of demand for the surplus produce of the land in India. As these seats of demand, however, are seldom formed or augmented by an increase to their collective numbers, their increase in one place must imply their diminution in another. In as much as they increase the demand for raw produce, raise the price, and augment the value of land in the place to which they are removed, they must diminish the demand for, and the price of, land produce in the place from which they are taken; and, consequently, reduce the value of land.

Thus very great and very sudden revolutions are produced in the value of landed-property, and in the condition of the people in the different parts of our eastern dominions. The seats of demand in India may be compared to the sand-banks of her great rivers; they are in a state of continual revolution and change. Those parts in which seats of demand for land produce are formed or augmented, rapidly improve, while those from

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which they are removed, or in which they are reduced, go as rapidly to decay; not unfrequently to the surprise of the Government, which had calculated on results totally different, and supposed that it was removing an oppressive burthen when it was taking away a source of prosperity. The same effects had always been following the same causes under different dominions in India, because all great seats of demand had always depended entirely upon great public establishments, political, civil, military, or ecclesiastical; and they have for more than half a century been following the same causes under our dominion, without the connexion between them having been distinctly traced and clearly explained in any publication with which I am acquainted.* There can be no doubt, that such an explanation would have been of great practical importance, both to the Government and to the people of India; for without clearly understanding this connexion between great seats of demand and the value of land, we must be perpetually liable to errors of the greatest moment, as well in our political as in our financial measures, in the administration of a country where all these seats depend upon our public establishments, or upon public establishments at our disposal.

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From the time when the Mahommuduns, in the thirteenth century, drew into circulation and employment the precious metals, which, flowing in a perpetual stream from the West, had remained an useless deposit in the temples for more than three thousand years, the seats of demand for surplus agricultural produce in India made some progress in changing their character.* From depending entirely upon revenue drawn by the sovereign, or feudal chiefs, for the support of military and ecclesiastical establishments, many seats of demand had come to depend upon incomes derived from employment in arts, trade, manufactures, and commerce. In Europe, when the great territorial lords were prevented by the vigorous administration of a few enlightened sovereigns, from plundering each other, and from exacting all the surplus produce of their own lands, to support licentious and idle militia, industry extended; and the episcopal sees and the residences of the great officers of

* The first invasion of southern India by the Mahommuduns, took place in 1293 of our Æra; and from that time till it was formed into an independent Mahommudun kingdom in 1349, one invading army followed another in quick succession; and the treasures they sought seemed as inexhaustible as the human blood through which they waded to them. It was into this part of India, that the precious metals flowed from the West, and were lost in the temples. Many millions flowed back to Europe through Tamerlane, Nadir Shah, &c. &c. The gold of the Duckun was to the Mahommuduns, what that of Mexico and Peru were afterwards to the Spaniards. The treasure taken back to Persia from India by Nadir Shah [illegible] thirty millions [illegible] three adventurers returned from these expeditions into southern India, to murder their emperors, and ascend the throne by the aid of their booty.

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state became the seats of arts, trade, manufactures and commerce; and the demand of these seats became, in time, independent of military and ecclesiastical establishments.

So it was in southern India, or India south of the Nurbudda river, while it was divided into independent Mahommudun sovereignties, and exhibited a picture of Spain under the Moors; and so it was in other parts of India, as Malwa, Guzzerat, and other places in which independent Mahommudun sovereignties were established; and so in Bengal and other parts, in which Governors were sovereigns in every thing but name. Improved tastes gave active employment to the people; and the exercise of their physical and mental powers upon objects of luxury and convenience, conferred an independent claim upon what they required of the surplus produce of the land. The tastes differed, but they all gave this employment. The tastes were in some parts, as in Bengal, for foreign and domestic luxuries, which, like those of Europe, soon perish and disappear in their use or enjoyment. In others they were for great works, useful or ornamental, which though used and enjoyed, last through ages; and after the lapse of centuries excite the wonder of the traveller. The one was like the taste of the Egyptians and other nations and states of antiquity, and that of the commercial states of Italy; the other like that of the commercial and manufacturing states of modern

Europe. As far as they gave equal employment to those who depended upon the surplus produce of the land for subsistence, and had nothing to offer in exchange, but the use of the mental and physical powers, they were both equally useful.

The Marhatta power originated in the invasion and desolation of the independent sovereignties of southern India by the emperor Aurungzebe; and rose gradually and simultaneously with ours, amidst the anarchy and civil wars, which followed his death, and continued under his imbecile successors.* We flatter ourselves with having conquered India —we have been merely the most successful competitor for dominion where all dominion had ceased; and have merely been employed in collecting the scattered fragments of a general wreck. We have not yet applied our knowledge to form any thing out of these collected fragments; and though they are all at our disposal, they are but fragments still, which another tempest may scatter.

The few seats of great and independent demand which escaped the ravages of the civil wars, in which our power rose, we have consumed by slow degrees. The Marhattas destroyed them by their misrule, and by their want of taste for that luxury, convenience, and magnificence, which, under the Mahommuduns, gave active employment to the men-

* He died A. D. 1707; after he had reduced southern India to a complete scene of anarchy and desolation, such as the ambition of Louis XIV. produced in the Palatinates of the Rhine.

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tal and physical powers of those who had nothing else to offer for the surplus produce of the land they required for their subsistence. We have destroyed them by our colonial, commercial, and manufacturing prejudices, and by other means that will be considered in a subsequent chapter; and between us we have reduced nearly all the great seats of demand for agricultural produce, to their primitive state of Hindoo simplicity, and dependence upon military and ecclesiastical establishments.

The population of India is not, perhaps, less than it was under the Mahommudun dominion; but our military establishments are reduced in number to perhaps one fiftieth part of what they then were, including the feudal militia. The ecclesiastical establishments are no where increased; on the contrary they are much diminished in all the fixed seats. Infinitely less numbers are now employed in manufactures, trade, and all the arts that contribute to the convenience, luxury, and embellishments of life. Our civil establishments are certainly not in numbers one-tenth of what they were under the Mahommudun government. The system of agriculture is now as good as it was then, and our lands are not much less fertile; consequently they will yield as great a surplus produce. Where then, may we ask, are all those who are subsisted upon the surplus produce of the land? Where, if we take one-third of the produce as surplus in revenue, are the thirty millions

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of people subsisted upon it? Are they employed in our public establishments; or are they any where usefully employed? These are questions that have, in all probability, suggested themselves to many well informed men in India, though I have never heard them stated.

It is not my object, in this chapter, to enlarge upon the practical application of my reasoning to our Indian administration, as this will be the subject of future chapters, and would extend this to too great a length. I may, however, here state, that when we have had a cession of territory from a native prince or chief, in lieu of money subsidies, we have generally chosen it from its fine condition; and this fine condition has commonly arisen from the great effectual demand for land produce, furnished by the great military establishments maintained within them under the former government; establishments that consumed not only all the surplus produce of such territories, but that of lands far beyond their boundaries.

The wages of agricultural labour are paid in kind, and are pretty nearly the same throughout all parts of India; and the corn rents are pretty uniform, or ought to be uniform, from lands of the same natural fertility throughout the country; but money rents from lands of the same quality vary according to their distance from the seat of demand for their produce, in a manner quite incredible to those who have had no opportunity of

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personal observation. There are no roads in any part of the empire, over which a wheeled carriage can pass for the greater part of the year, from any great seat of demand, to the distant lands to which it has recourse for supply; and it is not at all uncommon, to bring raw produce to these great seats, a distance of one hundred and fifty miles, upon the backs of bullocks. The costs of conveyance in this mode amount, in ordinary seasons, to more than double the price of the produce itself upon the lands from which it is brought; consequently the price of produce at the seats of demand must be more than three times what it is at the distant lands that supply it. The reason is, that besides the costs of conveyance, the wastage, and taxes, and duties, imposed upon the produce in its transit, must be paid in the price, and can be paid in nothing else.

The quantity of produce purchased upon the most distant lands for one pound sterling, must be sold in the seat of demand for three or four pounds sterling; and the produce drawn from the lands in the vicinity of that seat, must be sold at the same price; because there cannot be two prices for the same thing in the same market. If one-half the produce be taken for rent in both, the distant land from which that quantity of produce is taken, will pay a rent of ten shillings; but the same quantity of land in the vicinity will pay a rent of thirty or forty shillings; because both

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lands are supposed of the same quality, and both to give half their produce as rent.

The territories ceded to us are commonly upon the frontiers of the state from which we receive them; and this circumstance, which makes them the more eligible for us, has commonly occasioned their being made the seats of great military establishments, which by their demand for agricultural produce, have extended the cultivation, and increased the population and industry of these territories. But as these territories border upon our own, the great establishments by which they have been occupied and defended, are no longer necessary for military purposes. No danger can be apprehended from without; and to prevent internal disorder, the few troops we are willing to maintain are thought to be more necessary within the territories reserved by the native state. Our administration of such newly acquired territories, therefore, begins commonly by reducing or removing the whole or nearly the whole of such establishments.

Before, however, they are removed, or that our intention of removing them has been promulgated, a settlement of the land revenue is made for a period of years; and this is probably rated upon a calculation of the average money rents, paid to the former Government for a certain number of years preceding the transfer. Or, calculating upon the increased *tranquillity and security* that cannot fail

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to follow the removal of such large military establishments; and the consequent *increase* of labour and stock applied to the lands, the farmers and cultivators may be prevailed upon to engage at this rate for the first year, and for every succeeding year of the settlement at an increased rate, or at what is technically called a *Rusudee Juma*. This arrangement, completing the long impatiently urged measures of disbanding and removing public establishments, and reducing local expenditure to the lowest possible scale, is carried into effect. But an effect not calculated upon soon manifests itself in the most unequivocal symptoms. A very deficient market, or no market at all, is found for the surplus produce of the land, which the farmers and cultivators are very willing to give the Government in rent or revenue; but finding no market in which they can exchange that produce for money, they find themselves unable to pay money to the state. Government will, however, take nothing but money in rents and revenue; and unless it brings back the public establishments, increases in some other shape the local expenditure, or reduces the assessments, lands are soon thrown out of cultivation, farmers and cultivators are thrown into jail for defalcation or contumacy, or they desert to other countries with all their moveable stock; and the assessment inevitably reduces itself by rapid degrees through a period of disorder, wretchedness and depopulation.

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An increased local expenditure, in public works of great and general utility, may possibly sometimes suggest itself to the local authorities as of much greater advantage than reductions in the assessment; but they can have little hope that any arguments they can adduce will ever bring the paramount authorities to the same just conclusion, and this is scarcely ever had recourse to. Mr. M'Culloch has told them, as he has told the absentees of Ireland, that the abstraction of revenue can never take away employment from a country, nor its expenditure ever give it; and the absurdity of this doctrine has never yet been sufficiently exposed. The employment of the people, he says, depends upon *capital*, and *capital* is not reduced by the abstraction of *revenue*. If we turn to his "Principles of Political Economy," we find capital to be all that portion of the produce of a nation's industry, which *can be made* available to the support of human existence, or which can facilitate production, without regard to its actual employment, whether as stock or revenue;* and the employment of the people we find to depend entirely upon that portion of the national capital, which consists of food and clothing. If the Irish absentees take three millions a year *in food* and *clothing* from Ireland, it cannot be affirmed very

* Pages 92, 93, 94, and in p. 115, he makes man himself *capital* and "as much the produce of labour as any other machine." This portion of capital is certainly not deficient in Ireland; and it is a good portion where good use is made of it—but of this by and by.

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consistently with such definitions, that no capital is thereby taken from Ireland, nor any thing upon which the employment of labour depends.* A local expenditure would in such territories provide a salutary market, in which the rude produce of the land might be exchanged for money, paid by the Government for mental and physical powers employed for the benefit of the people; and without it, the assessments too often reduce themselves through years of wretchedness, oppression, and disorder.

The reserved territories of the native state into which the military establishments have been removed, improve rapidly in extended tillage, and increased population and industry. Not only do the money rents, paid by the farmers and cultivators to their Government, return to them in exchange for their produce, but that collected by us in the ceded territories, and paid to these removed establishments, is distributed among them in the same manner. The native Government and its officers being, like ourselves, unacquainted with the effects of these establishments upon the value of the lands, have not of course, any more than ourselves, made their settlements of the land revenue with reference to their probable increase or decrease; and all the increased value they impart

* I attribute to Mr. M'Culloch the paper on absentees, in the 85th number of the Edinburgh Review; and regret that his talents should have been wasted upon it; and that so excellent a publication should have been employed to circulate so much fallacy and sophistry.

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to the lands in these reserved territories, goes for a time to the farmers and cultivators. Tillage is extended, stock augmented, and population increased. At the expiration of existing leases the Prince of course shares liberally in these advantages; and sometimes finds, that instead of a pecuniary loss, he has made by the new arrangement a considerable gain; as all the frontier districts, to which he had before been obliged to make annual remittances of money, are now become tributary to his treasury. If these districts cease to yield the means of paying what we require to send him, through the medium of these establishments, we must furnish it from our other treasuries.

In India the agricultural classes have little of fixed and inconvertible stock upon the land, to detain them; and generally local attachments are not permitted to grow up and take a strong hold of the mind among them. Districts that are lightly assessed are very soon peopled and cultivated at the expense of those whose lands are highly assessed; for whole families and communities emigrate with not only all the instruments of tillage, but all the materials of good society in their train. Though our Government is always liberal, and prepared to relieve pressure upon the agricultural classes when fully assured of its existence, that pressure often manifests itself in the desertion of the lands, and the emigration of the

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people before that assurance can be conveyed. I have seen an immense extent of country saved from desolation by the officer in charge, relying upon the confidence of the Government in his integrity and judgment, taking upon himself to relieve distress and arrest the progress of emigration by a great and general reduction in the assessment. He fell a victim to his anxiety and mental labours; and in him society lost one of its most amiable members, and the Government of India one of the best public servants they have ever had.*

In the territories of which he had charge, the officers [illegible] reducing, and re[illegible] public establishments were so great, that in a few years the cultivators could scarcely, with the whole annual produce of their lands, sold at the price to which it was reduced, pay the rate at which they had cheerfully engaged before these establishments were taken away; while the farmers of the reserved territories, into which these establishments were removed, could pay theirs from the sale of the *chaff alone*, for the use of the cattle.

[illegible]

The lands we receive in this fine state of cultivation, have been commonly more or less ex-

* [illegible]

hausted by long tillage; while those of the reserved and less cultivated territories have for the most part been enriched by long fallows; and could pay a higher rent, even if the advantages with regard to the market were equal. From twenty to thirty years of tillage, [illegible], will reduce the finest soil in India from a return of twenty-fold, to one of three or four; and, generally speaking, the lands of India are assisted only by the mechanical application of the plough. This can only develop existing powers—it can add no new ones to the soil.

[illegible]

These great seats of demand, and the just and liberal views of one local administration, [illegible] the lands more valuable, and inspire a body of permanent interest in, and local attachment to the soil; but the removal of these establishments again reduces this value, while a less just or liberal administration takes advantage of these feelings of attachment, to exact from the farmers and cultiva-

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tors more rent than the lands can fairly be made to pay; and this continues till these feelings are lost, and the lands are left waste, or let to wild speculators, or needy adventurers, who have neither character to support, nor property to lose.* If native Governments outrage these feelings of local attachment more than we do (a thing we are often apt to believe merely because we wish to believe it) they certainly know a great deal better how to create them. They encourage the formation and maintenance of those links, by which man's affections are connected with the soil, while we either discourage or entirely neglect them. A grove of mangoe-trees, a temple, or a reservoir, is a strong link, by which the affections of the man who formed it, and those of his posterity, are bound to the spot upon which it is formed; and though under native Governments the officers may, more often than under ours, avail themselves of such links to exact undue rents, yet their formation is encouraged by them, and directly or indirectly discouraged by us.

It is always difficult and usually impossible to ascertain precisely the value of lands as a source

* Mr. Browne found the lands of Egypt divided between the Government and the Church, all private rights of property in the soil having disappeared under a long system of oppression. The cultivators, as in India, had the privilege of quitting their lands when they pleased; but claimed no right of property in them. Still he found persons, whose families had, without any right of property in them, cultivated the same lands for several generations.—See Travels in Egypt.

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of money rent or revenue to Government; and wherever this *tax upon the affections* is imposed within our territories, it arises from this difficulty —because there is, as I have observed already, a disposition, as well in the Government as in the European revenue officers, to relieve pressure in the public burthens, as soon as an assurance of its existence is felt. Mr. Elphinstone, whose liberal feelings and enlightened mind are an honor to the service in which he has risen, and to the Government over which he now presides, has told us, that a large portion of the cultivators of the Poona states, before they came under our dominion, were proprietors of the lands they occupied, subject to the payment of a land tax to Government; but, that Government had taken advantage of their local attachments, to make them pay considerably more than what was paid by mere tenants at will.* It should not be forgotten, however, that some preceding administration of that Government must have encouraged the growth of these feelings, by a more just and liberal policy.

Such works as temples, reservoirs, canals, groves, &c. are never in India formed with a view to profit, consequently never by *capital*, in the common acceptation of that term; because they never secure a claim upon the land or labour of any one. Under oppressive administrations, the

* See his report upon the territories acquired from the Peishwa.

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farmers and cultivators of the soil, and the proprietors, where there are any, avoid the formation of such works, lest the Government officers should avail themselves of them, and of the feelings they create, to exact more rents than they should be obliged to pay for lands in which they have no such works and no such attachments—in other words, *to tax their affections*. In some parts of India they even avoid, as an established rule, the cultivation of an estate upon which they live, and have the little stock they possess. They will not even keep and repair their ploughs upon the lands they till; so that they have no local tie whatever, of which the proprietor or Government officers could avail themselves as a means of undue exaction. Upon the estate in which they live they have nothing more than their hut, their plough, and their bullocks; and in this they pay a tax rated upon the plough, of about ten shillings; while the tax they pay upon the lands tilled with this plough in another estate, varies from six to ten times this sum, according to the quality of the soil, and its distance from the seat of demand.

The natural powers of the richest soil in the world may be soon exhausted by an uninterrupted succession of impoverishing crops, without manure or irrigation; and to develop, repair, and improve these powers by irrigation and manure, much property and labour must be invested in fixed and inconvertible stock. But while such stock, in-

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stead of enriching the proprietor, is to furnish the means of his oppression and ruin, he will assuredly not invest his labour and property in its formation. The greater part of the stock required for an improved system of tillage, and for the creation of feelings of local attachment, is of a fixed and inconvertible nature; and if an improved system of tillage, and feelings of attachment to the soil be desirable, as they unquestionably must be in all countries, Governments should encourage its investment by all possible means. We are told by Volney, that in Turkey, circulating stock escaped the officers of Government, while fixed and inconvertible stock was made an instrument of oppression and outrage. "La classe qui fait valoir les "denrées, en les mettant en œuvre ou en circula- "tion, n'est pas si mal traitée que celle qui les "procure: la raison en est que les biens des ar- "tisans et des marchands, consistant en effets "mobilaires, sont moins soumis aux regards du "Gouvernment que ceux des paysans."*

Even in the rudest or most simple state of society, in order to make the earth yield its fruits, it is necessary to invest property and labour for the formation of stock, inconvertible for a time; and a feeling of security in the exclusive possession for that time must be given, or they will not be so invested. We are told by Cæsar and Tacitus, that the Germans gave this security for only one year;

* Travels, chap. 36. 38.

and we may be assured that beyond the seed no inconvertible stock was invested by them in the lands they tilled. The former tells us, that they changed often the seats of cultivation, to prevent the acquisition of property, and preserve equality;* and when industry was so confined, to prevent the appropriation and improvement of the land, was an effectual mode of preventing the acquisition of any property but flocks and herds. Though from the nature and circumstances of our great seats of demand for agricultural industry in India—their constant liability to change situation, to increase and decrease, and the consequent fluctuation of value in the lands, I should not think a fixed land tax, or a land tax *rated upon a fixed valuation* generally expedient;† still I think we have not yet in our periodical settlements given sufficient encouragement to the investment of property and labour in fixed and inconvertible stock, absolutely necessary to an improved system of tillage and to feelings of local attachment to the soil.

It is quite absurd to talk of a want of *capital* upon the land in India: there is no such want. It abounds in all parts; and is in all parts available, as long as the Government leaves sufficient of the annual returns to the proprietors, farmers, and cultivators. All that is wanted is a *concen-*

* De Bel. Gal. Lib. vi. 1. 10th.

† In a subsequent chapter this will be shown to be the land tax of almost all European nations.

tration of capital, as will be explained in a subsequent chapter; and to this want the Ryutwar assessment is directly opposed.* I have said more than I intended in this chapter, on the practical application of my reasoning to Indian administration, because I thought it might be useful; and the digression will, I hope, be excused, from the motive, by those who may feel no particular interest in that subject.

It will appear from the foregoing reasoning, that a seat of demand, whether a village, or a town, a city, or a nation, which has no equivalents to offer in exchange for land produce, either arising from the employment of its own domestic funds and instruments, or drawn from the employment of those of other places, in private incomes or public tribute, must necessarily depend for supply upon its own lands. It can have no effectual demand for the land produce of any other place; and is as effectually debarred from all purchase of the necessaries of life from other countries, while it continues in these circumstances, as it could be by any insurmountable barrier of nature. The population of such a seat of demand might, at the same time, extend to the utmost numbers that its own lands could be made to supply; and the history of Egypt, Israel, and the Grecian Repub-

* How this concentration can be best effected will be considered in another chapter; but in the mean time I may say, generally, by letting lands in estates from two hundred to two thousand acres each.

lics may satisfy us, that a very good system of tillage is by no means incompatible with a very simple state of tastes and manners.

If in such a state of society the lands were all distributed in private property, all taxes would be of necessity ultimately incident upon land rent, provided no other fund of the necessaries of life were appropriated, and no other claim had been created by the formation of some instrument applied to the cultivation of the soil, or the distribution of its produce. The moment that any other fund is appropriated, or any such instrument is formed, to convey a claim to others — from that moment all taxes cease to be of necessity incident upon the proprietors of land. The landlords depend upon *them*, as much as *they* depend upon the landlords: an independent income is derived from an independent claim; and this becomes income liable to be affected by taxes, either in its acquisition or in its expenditure. In this early stage of society the appropriation of land is no less necessary to its efficient improvement, than as a consequence of value, arising from the necessity of recourse to portions more distant and less fertile, as society concentrates and becomes fixed in seats of demand. The powers of the soil to supply food being limited within the capacities of the other funds to supply what we require from them, the object of all societies is to develop and improve these powers as population increases; and for this

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purpose appropriation seems necessary.* The Mahommudun law-giver, the Persian, and the Hindoo, all recognize this necessity; and convey a right of property in the soil to him who by his property and labour shall render it available for the subsistence of man.

The other funds of subsistence require not the application of material and intellectual stock, to make them conducive to our subsistence; and appropriation is unnecessary to them, either for their efficient improvement, or as a consequence of recourse to worse and more distant. But as society advances, and man requires something more than the absolute necessaries of life, material and intellectual stock is applied to these unappropriated funds, to make them conducive to our more refined enjoyments; and though man is still left to draw freely from them what he requires for his mere subsistence, he is often made to pay a rent for them in the price of his luxuries and conveniences. The material and intellectual stock, by which these unappropriated funds are made to contribute to our luxury and convenience, and the produce of the appropriated funds, to our more refined enjoyments, forms an independent claim unknown in the ruder and more simple state of society; and this claim is made to contribute its portion to the public burthens of the state; while

* There is a singular coincidence in the very expression of these several law-givers, as will by and by be noticed in the chapter on "land-tenures."

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it is, at the same time, made the medium of conveying another claim of the Government, upon all those members of the community, who partake of the enjoyments, in the increased prices they pay.

As this material and intellectual stock grows up in society, even the fountain of light and the atmosphere become appropriated, through its medium. It is not permitted to be applied to these funds, but in such places, and at such times, and in such portions as the Government may please to license; and thus the powers and properties of these funds, in as far as they contribute to our more refined enjoyments by its means, are limited artificially, as those of the appropriated funds are naturally.* Though a man may freely enjoy all the advantages of the fountain of light without, he is obliged to pay a rent for it within, through the medium of a tax upon his windows; and though a man may breathe the atmosphere freely, he is obliged to pay a tax for it in the price of some of his enjoyments, through the medium of the instruments that extract them. It would be great folly to say, that the tax we paid for the sun, through our windows; and that which we paid for the atmosphere, through such machines, were ultimately

* Mr. Buchanan accuses Doctor Smith of mistaking the nature of profits derived from secrets in trade; because he had said they were "the high prices of their private labour;" and says they are no wise different from land-rent. See his edition of the Wealth of Nations, vol. i. b. i. *l.* 7. p. 91. But Doctor Smith never thought them different. See 5th edition, vol. i. b. i. *l.* 11. p. 225.

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incident upon land rent, unless the incomes from which we derived the means were composed of rent.

As society advances from the simple state, and industry extends, individuals, who have no share in the appropriated funds of our subsistence, invest their labour and their property in the formation and acquirement of that stock by which their powers are made available and improved, and their produce distributed, and formed into enjoyments, suitable to our wants and our tastes; and by this employment they acquire independent claims not only upon the annual returns of these funds, but upon those of funds situated in distant countries. Others invest their labour and their property in the formation and maintenance of the material and intellectual stock, by which the unappropriated funds are made to contribute to our enjoyment; and by which the enjoyments of distant nations are distributed among each other in commercial intercourse; and they thereby acquire incomes independent of the proprietors of domestic lands. Others acquire independent claims by the formation and employment of that material and intellectual stock, which contributes to our amusement, our instruction, and our security; while others, by the employment of material and intellectual stock, in distant nations, acquire a claim upon the annual returns of their

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funds and instruments, which, when they return home, enrich their country by a tributary stream of enjoyments.

Others again acquire a claim upon the annual returns from the land and labour of their country, by investing their property in that stock, which is neither employed in augmenting the amount of our enjoyments, nor in increasing the sum of their exchangeable value. Such is the national debt of England*, and such all those private debts, which have been contracted without augmenting or improving the funds and instruments of production, or increasing the revenue of those upon whom the obligation to pay the interest or profits, devolves. I do not pretend to deny, that much of the national debt has been contracted for the benefit of the nation; for without the liberty and independence which it has contributed to secure, the quantity and powers of our funds and instruments would have diminished; of what they produced, a great portion would have flowed in a tributary stream to a foreign state; and the portion left us to enjoy, we should have enjoyed without dignity.

In time all the members of an improved society become more or less independent of each other for the portion of enjoyments they receive; and the claim of every one is or may be made to contribute its portion to those enjoyments, which are distributed to the public establishments through

* The national debt increases the exchangeable value of commodities inasmuch as the interest paid to the public creditor is drawn in taxes imposed upon commodities and adds to their price.

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the medium of the Government. The material and intellectual stock of public establishments is not necessarily the less employed for the benefit and enjoyment of the people, that it happens to be employed by, and paid through the medium of the Government. A Government which does its duty to the people will pay no more of this stock than what it can and does employ for their advantage, and though in the more advanced stages of society Governments commonly employ too much, in the earlier stages of society they have often employed too little; and left without honest subsistence, to prey upon the very vitals of civil society, those who would have gladly contributed their mental and physical powers to its support.

As society advances, and a greater variety of independent incomes become acquired, to contribute to the support of public establishments, the financial system of a Government necessarily becomes more complicated, in order to make the burthen fall more equally. The financial system of a nation may, therefore, be considered always to expand with the growth of its material and intellectual stock.

Though industry declined, and material and intellectual stock disappeared in some few nations after their subjection to the Roman dominion,* the

* Epirus was a rich, powerful, and populous nation before conquered by the Romans, under whom it became ruined and depopulate. Paulus Æmilius destroyed in it seventy cities; and carried away a hundred and fifty thousand people as slaves.—Strabo, Lib. 7.

† We must consider as public creditors as a public establishment all they like those who are maintained by the fees rates and of course are taxes

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general tendency of that Government was to extend industry and augment this stock, by the formation of towns and cities; the construction of great works, useful or ornamental; the introduction of arts; the establishment of good laws, efficiently administered; and useful institutions, religiously maintained. The financial system of the Romans in their distant provinces became more complicated, as their dominion in them became more firmly established; as the necessary consequence of the growth of this stock among the people. But the general tendency of the northern barbarians, who conquered and occupied these provinces after the decline of the empire, was to destroy all this material and intellectual stock; depopulate the towns and cities; subvert the Government, laws, and institutions established by their predecessors; and bring industry back to its state of primitive simplicity.

It was, therefore, their tendency to *simplify the financial system* of their predecessors; for when they had reduced industry to agriculture alone, and land had become the only fund of the necessaries of life appropriated, all taxes became necessarily incident upon the proprietors. The only thing left for the sovereign to consider, in his financial system, was the most convenient and equitable mode of taking what he required from them, and he could not be long in discovering, that a plan much less simple than that of the Romans

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would answer his purpose. A justly celebrated writer has, however, ventured to deny that the Gauls and Romans ever paid taxes even immediately after the conquest of the Franks, "because he cannot conceive how these Franks "should have been at first such great *friends*, and "afterwards such sudden *enemies to taxes*. It was "very natural, that the Roman *art of tax-gathering* "should fall of itself in the monarchy of the "Franks, because it was a most complicate art, "far above the conception and wide from the "plan of this simple people."*

It would, however, be found much less difficult to teach the Tartars, should they now invade England from the banks of the Jaxartes, our complicated system of finances—or at least to get Englishmen who would gather the taxes for them—than to prevail upon them to preserve all that material and intellectual stock, those towns, cities, arts, trades, manufactures, commerce, laws, institutions, establishments, &c. &c. that render a complicated system necessary. They would, in all probability, soon simplify our system, as the Franks did that of the Romans, not by wisely framing a code more suitable to their plan of liberty, but by reducing industry to agriculture alone, or restoring society to its primitive state of pastoral simplicity.† We find that the capacity of

* Esprit des Loix, b. 30. *l.* 13.

† When Genseric Barbarossa had by his devastations reduced industry to agriculture in Southern Italy, his Officers collected two thirds of the annual produce of the land, the only wealth left among the vanquished people. Malkus's Inquiry &c.

these barbarians, to comprehend a financial code, instead of improving, got worse and worse after their establishment; and that they could comprehend scarcely any thing but a tax upon heads, about the time that all the material and intellectual stock which had grown up under the Roman Government, laws, and institutions, had been entirely destroyed.

"Towards the commencement of the first race," says the same author, "we meet with an infinite "number of free men both among the Franks and "the Romans; but the number of bondmen in- "creased to that degree, that at the beginning of "the third race, all the husbandmen, and almost "all the inhabitants of towns, were become slaves; "and whereas at the first period there was very "near the same administration in the cities as "under the Romans, namely, a corporation, a "senate, and courts of judicature; at the other "we hardly meet with any thing but a lord and "his bondmen."* When we find society reduced to territorial lords, and predial slaves, we may venture to conclude, that their system of taxation is *very simple;* and that the plan of liberty or *system of anarchy* effected this simplicity of their financial code by destroying the material and intellectual stock of the country. Were the Cossacks

* Esprit des loix, L. xxx. l. 11.

" Under the Merovingian Princes the Roman cities were abandoned to ruin and solitude."—Gibbon, vol. v. p. 143.

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and Tartars to conquer England and France, and enjoy the same liberty which the Saxons enjoyed in the one, and the Franks in the other, of first pillaging, destroying, and reducing to slavery the people, and then pillaging and destroying each other, they would in the course of a few generations reduce our financial system to a very simple form, not "far above the conception nor wide "from the plan of a free and simple people."

The system was not simplified by the incapacity of the barbarians to comprehend it. The taxes continued to be collected through agents perfectly well acquainted with the plan, while the funds destined to pay them were preserved; and were not all changed into military services till society was reduced to land-proprietors and their bondmen; industry confined to agriculture; and no equivalent could any where be found to receive in exchange for land produce, and offer in taxes to Government.

Though the financial systems of most European nations are, no doubt, more complicated than is requisite for an equitable taxation; that system, to be equitable, must necessarily become more and more complicated as society advances, industry extends, and nations improve in wealth and enjoyments. It was very sensibly observed by Arthur Young, "that taxes ought to bear lightly "upon an infinite number of points, heavily upon "none; and that simplicity in taxation was the

"greatest additional weight that could be given "to taxes, and ought in every country to be most "sedulously avoided."* And the same author has observed of the *impot unique*, of the School of Quesnai. "I know not whether Mr. Locke was "the original father of the doctrine, that all taxes, "laid in any manner whatever, fall ultimately on "land; but whoever started or supported it, con- "tributed towards the establishment of one of the "most dangerous absurdities that ever disgraced "common sense."†

That they are not so incident where industry has extended, has, I believe, been sufficiently shown in this chapter; and in the next chapter I hope to show, still more satisfactorily, that the conclusion of economists — that *all taxes* must fall upon the wages of labour, the profits of stock, or the rent of land, *actually employed in producing and bringing to market* — and, that if they cannot fall upon one of the three, they must all fall exclusively upon two — and that if they cannot fall upon two of the three, they must all fall exclusively upon one — is a conclusion founded entirely upon false premises.

* Travels in France, vol. i. p. 596. † Ibid, p. 590.

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CHAPTER II.

OUTLINE OF A NEW SYSTEM OF POLITICAL ECONOMY.

INTRODUCTORY REMARKS.

THE natural price of every material enjoyment is that which is neither more nor less than sufficient to pay the funds and instruments employed in the supply, according to the average rate of rents, profits, and wages, at the time and place of employment; together with such taxes and duties as may enter into the costs of its production, in the different stages of its progress. A part of the costs which enter into and compose the price of our material enjoyments is incurred before they, or the materials of which they are formed, leave the funds that yield them; and the rest of these costs are incurred in the different stages of their progress, before they reach the possession of those for whose enjoyment they are destined. In many cases, however, their costs do not cease to accumulate, even after they are in our possession. After having paid all those costs which have been incurred upon them in the different stages of production, preparation, and distribution, we continue to pay others before they are com-

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pletely suited to our wants or to our tastes; or before we are permitted to enjoy them.

We must employ a cook to dress our victuals, after we have paid for them at our doors or in the market; and before we can enjoy them upon our tables, additional costs must have been incurred. After we have purchased our coach, and in the price have paid all the costs incurred in the different stages of its progress, we must pay a tax or duty, and thereby incur additional costs before we are permitted to enjoy the use of it in our airings or our visits. After we have purchased glass for our windows, and, in the price, have paid all the costs incurred in the supply, we must pay a tax or duty upon it before we can enjoy the pleasure or advantage to be derived from it. These costs we do not pay in the price of the enjoyments; nor could we add them to their price or value in exchange, if we should again wish to dispose of them. We have paid these taxes and duties for the use and enjoyment of the articles; they have formed no part of the costs incurred upon the articles in the different stages of their progress; and those who require to purchase, can always, under ordinary circumstances, supply themselves with similar articles at the rate of costs so incurred. Those whose business it is to supply such articles do not themselves use or enjoy them—they pay therefore no tax for the use or enjoyment; and those who require to purchase can always, under ordinary circum-

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stances, be supplied by them at a price no more than sufficient to cover the costs incurred upon the articles before they reach our hands; consequently, should the purchaser determine to sell again, he will not receive a price sufficient to pay, over and above these costs, the taxes or duties we may have paid for the use or enjoyment.

Some of our enjoyments come to our hands, and are used and consumed without paying a tax in any stage of their progress; and the natural price of such enjoyments is neither more nor less than what is sufficient to pay the funds and instruments employed in the supply, according to the average and ordinary rate of rents, profits, and wages, at the time and place of employment. Some of these enjoyments are provided from unappropriated funds or sources by labour alone; and their costs are composed exclusively of wages: others are supplied from unappropriated sources by both stock and labour, and their costs are composed of profits and wages: others are supplied from appropriated sources or funds; and their costs are composed of rents, profits, and wages. But when taxes or duties are imposed upon the funds or sources whence these enjoyments are derived; upon the instruments by which they are produced, prepared, and distributed, or upon these enjoyments themselves in the different stages of their progress, they necessarily form a component part of the costs of supply; and when the burthen of

their payment is shifted off, as it commonly is from the funds or proprietors of funds, or from the instruments or proprietors of instruments, upon the consumers, it is done through the medium of an increased price, which the latter are obliged to pay for the enjoyments. If the burthen of the payment cannot be shifted off upon the consumer, through the medium of an increased price, it must necessarily fall upon the instruments or proprietors of the instruments employed in the supply, or the proprietors of the funds from which the enjoyments are supplied.

That the natural price is the central point to which the prices of all commodities are continually gravitating, is an established truth, in which all schools and all individual writers upon the subject of political economy seem to be sufficiently agreed. "Different accidents may sometimes keep them "suspended a good deal above it, and sometimes "force them down even somewhat below it; but "whatever may be the obstacles which hinder "them from settling in this centre of repose and "continuance, they are constantly tending to-"wards it."* The general principle being admitted as an established truth by all, the only questions that remained to divide the schools were, What are the component parts of price? What are the

* Wealth of Nations, vol. i. book i. chap. vii. p. 87. Mr. M'Culloch has quoted this passage in the French dress given to it by the Marquis of Garnier, Principles, 250 to 252; also 223. 245. 259. 261.

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costs that are to be paid out of it? And what are the circumstances which regulate or influence the component parts which each school or each individual may think proper to admit?

Mr. Ricardo thought proper to admit only two component parts, the wages of labour, and the profits of stock; and upon the truth of these being the only component parts of price or exchangeable value, the whole of his elaborate system reposes for support. Mr. M'Culloch, as a disciple of this school, has, of course, come to the same conclusion; and very naturally pronounces the work of his great master as "equally profound "and more original than the Wealth of Nations." In political economy, as in religion, poetry, and philosophy, that which is the least comprehensible is often the most popular; but in a science which is so applicable to the every day purposes of society, men must in time return to plain sense and honest opinions; and the reputation of Mr. Ricardo's book will then be discovered to be founded chiefly upon the very ingenious manner in which every proposition has been involved in obscurity.*

Dr. Smith, in treating of price and exchangeable value, admits over and above the wages and profits of Mr. Ricardo, the rent paid for the appropriated funds or sources from which our mate-

* M. Say tells us that Destutt de Tracy came to the same conclusion as Mr. Ricardo, in his Commentary on the Spirit of Laws, c. 13. See Say's Principles, b. ii. c. 9.

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rial enjoyments are derived; and in the estimation of the *uninitiated* of that school he is more correct than Mr. Ricardo, inasmuch as he excludes less of what even the uninitiated of either school perceive it to be absolutely necessary to admit. Dr. Smith admits as component parts of price or exchangeable value, only the rents, profits, and wages, paid for the land, labour, and stock, *actually* employed in the supply; but after he has drawn the many important conclusions which depend for their truth entirely upon these being admitted to be the only component parts, he attempts to prove elaborately that *taxes* enter into price and exchangeable value as a component part; and proceeds to draw another set of conclusions, which depend for their truth entirely upon this admission.* In the same manner Mr. Ricardo founds his whole theory of profits and wages upon the assumption that nothing but profits and wages, paid for stock and labour, actually employed in the supply, can possibly enter into price or exchangeable value as component parts; and after he has exhausted all his stores of reasoning and illustration upon this hypothesis, he proceeds to an elaborate attempt to prove that price is so augmented by taxes, which necessarily enter into it as component parts, that men are driven into foreign countries to spend their incomes. By such

* Wealth of Nations, vol. iii. b. v. c. iii. p. 430. 5th edition, London. This is the edition that will be quoted throughout this chapter.

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errors and inconsistencies has the world been perplexed; and a highly important science brought into disrepute!

When taxes are imposed upon the funds from which our material enjoyments are derived, upon the instruments by which they are produced, prepared and distributed, or upon these enjoyments themselves in the different stages of their progress, and the burthen of their payment is shifted off upon the consumer, they must necessarily form a component part of the price or exchangeable value; and any system founded upon their exclusion must necessarily be unsound. One commodity pays them when another does not, or one commodity pays more of them than another, compared with the amount of the other component parts of its costs; and the commodity which pays more taxes, compared with this amount, must bear a greater proportionate price or value in exchange. The tax paid upon the enjoyment in any stage of its progress is a component part of its costs; and if all the component parts of the cost be paid in the price, the price of that enjoyment will be greater than the price of another enjoyment, in which all the other component parts of the cost are equal, but on which no tax at all, or a less tax is paid. The value of one in relation to the other will be greater; and it will be greater in relation to money, that is, in price. Remove the existing taxes from our sugars, and retain them

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upon our wines, sugar would fall in exchangeable value in relation both to wine and money. Increase the taxes upon our tea and retain them the same upon our sugars, and tea would rise in value in relation to sugar, and in relation to money, that is, in price. But, it is to insult the common sense of mankind to multiply instances in order to illustrate a truth so simple and manifest as this, that taxes and duties enter into the costs of our material enjoyments, and form a component part of their price and value in exchange.

By the hypothesis of every school, all taxes must be paid out of one or more of the parts which it may be pleased to admit, as exclusively composing the sum total of price or exchangeable value, and they can be paid out of nothing else. The Ricardo school, for instance, admits only the profits of the stock, and the wages of the labour actually employed in the supply; and as all taxes must, according to its hypothesis, fall upon one or other of these component parts, and cannot for any considerable time fall upon the wages of labour, they must all fall upon the profits of stock actually employed in the supply. Doctor Smith admitted the rent of appropriated funds or sources, as a third component part of price and exchangeable value; but he considered that price or exchangeable value to be composed exclusively of the rent, profits and wages, paid for the land, stock, and labour actually employed in the sup-

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ply; and all taxes to be of necessity incident upon one or more of these three component parts. If, therefore, any member of any society receives rents, profits or wages for land, stock or labour, not actually employed in the supply of our enjoyments, he cannot possibly contribute out of these any thing to the public burthens of the state in taxes; because his rents, profits or wages cannot form any component part of the price or exchangeable value of these enjoyments, out of which alone taxes are or can be paid.!!

As much of the perplexity in which this as well as many other branches of this important science has been involved, appears to me to have arisen from expressing by the same terms things in themselves very different, I solicit most earnestly the reader's careful consideration of the following reasoning, which he will, I hope, find calculated to unravel much of the mystery in which the subject of taxes has hitherto been involved.

Doctor Smith, the great father of the science, considered the wages of the labour, the profits of the stock, and the rent of the land, *actually employed in the supply* of our enjoyments,* as the three *original sources* of all revenue public and private; and in this he has been followed by almost every other writer, with whose works I am

* The term *enjoyments* here, as in other parts of this work, expresses the objects of enjoyment. In common language the term is applied to the feeling produced, rather than to the thing which produces it.

acquainted. "The price of every commodity "taken separately, and of all commodities collectively, must resolve itself into the wages of the "labour, the profits of the stock, and the rent of "the land, that have been employed in producing "them, and bringing them to market." "All taxes, "and all the revenue founded upon them, all "salaries, pensions, and annuities of every kind, "are ultimately derived from one or other of these "*original sources of revenue;* and are paid either "mediately or immediately from the *wages of* "*labour*, the *profits of stock, or the rent of land.*"* In this hypothesis Doctor Smith has been followed by every late writer upon the subject; nor do I know of one that has in the slightest degree differed with him in the general principle; and the consequence has been, that the fallacy involved in the use of the terms has run through the whole of their reasoning on the subject of the ultimate incidence of taxes.

The *wages, profits* and *rents*, which are paid for the labour, stock and land, *actually employed* in producing and bringing to market the commodities of societies, and which, according to the above hypothesis, compose the whole of their price or exchangeable value, are confounded with the *wages, profits* and *rents* that are paid for labour, stock and land not so employed. We pay a rent for

* Wealth of Nations, vol. i. b. ii. c. ii. p. 423.

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a public park or promenade; we pay profits, to the amount of about thirty millions a year, for stock in a public debt ~~to the amount of about eighteen hundred millions~~; we pay the wages of labour to our army, navy, ecclesiastical, civil and judicial establishments; but neither the land, the stock, nor the labour for which we pay is actually employed in producing and bringing to market commodities. Nor could the rents of the first, the profits of the second, nor the wages of the third, form any part whatever of the price or exchangeable value of these commodities, according to the above hypothesis. They must, therefore, be distinct from the wages, profits and rents, described as forming the whole price of commodities. They are, indeed, by Doctor Smith himself, described as distinct. "The "sovereign, with all the officers both of justice "and war who serve under him, the whole army "and navy; churchmen, lawyers, physicians, men "of letters of all kinds; players, musicians, opera "dancers, and menial servants, are all unproduc- "tive labourers, because their labour adds nothing "to the price or exchangeable value of the annual "produce of the land and labour of the society".* Their wages are not, therefore, added to the price or exchangeable value of our enjoyments; they can form no part of the rents, profits and wages, which compose the price of these material enjoy-

* Wealth of Nations, vol. ii. b. ii. c. ii. p. 2, 3.

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ments; and as they can neither be the same thing, nor a part of the same thing, they must be a different thing.

But the same hypothesis makes all the annual produce of the land and labour of the society to be distributed ultimately to its different members in the wages of labour, the profits of stock, and the rent of land.* It is, however, abundantly manifest, that the *wages*, *profits* and *rents*, which compose the price or exchangeable value of our material enjoyments, cannot be the same *wages*, *profits* and *rents*, in which they are ultimately distributed to the different members of the society; and it must be equally manifiest, that it is out of the *rents*, *profits* and *wages*, in which the enjoyments are ultimately distributed for consumption, that the different members pay all those taxes, that are added to their price or exchangeable value in the different stages of their progress. The profits of stock in a manufacture must be different from the profits of stock in the public funds; the wages of labour employed in agriculture, different from the wages of labour employed in our churches and our regiments; and the rents of land employed in tillage, must be different from the rents of land used as public parks and promenades. They all, however, partake in the ultimate distribution; and those who receive them are all more or less liable to the incidence of taxes.

* Wealth of Nations, vol. i. b. i. c. vi. p. 78. and vol. i. b. ii. c. ii. p. 423, 424.

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The wages, profits and rents of one class, must necessarily be added to the price or exchangeable value of enjoyments, because they can be paid out of nothing else; but the wages, profits and rents of the other class may or may not be added to this price or exchangeable value, just as the taxes from which they are paid are or are not imposed upon the funds from which they are derived, the instruments by which they are produced, prepared and distributed, or upon the enjoyments themselves in some stage or other of their progress. Nothing is more common in India, under native governments, than to grant pensions in the shape of a privilege to impose certain duties on certain articles in transit, and the wages of such grantees are added to the price to be paid by the consumer for such articles. Were the Government to make itself the medium of levying the duty and paying it to the grantees, their wages would still be added to the price. But if Government were to grant a pension in a privilege to levy a duty for the enjoyment of a thing, a coach or a glass window, for instance, or a palanquin, the wages of the grantee would not be added to the price of glass, coaches, or palanquins.

"The whole *value* of the annual produce of "every country is thus divided among, and con-"stitutes a revenue to, its different inhabitants; "and the gross revenue of all the inhabitants of a "country comprehends the whole produce of

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their land and labour."* But if the gross revenue of all the inhabitants of a country, in its ultimate distribution, comprehends the whole annual produce, it comprehends something more than the price or exchangeable value added to that produce by the wages, profits and rents, paid for the labour, stock and land, actually employed in the supply. These wages, profits and rents, form but a part of the costs incurred upon commodities in the different stages of their progress, before they reach the hands of the consumer; and, consequently, form but a part of the price which the consumer has to pay for them. That portion of our taxes which is added to the costs of commodities in the different stages of their progress, forms a part, and a very material part, of their price or exchangeable value; and in a very great portion of our more refined enjoyments, these taxes form a greater part of that price or exchangeable value than all the rents, profits, and wages paid for the land, stock, and labour actually employed in providing them.

In the second place, the price which the consumer pays, including, over and above these rents, profits and wages, the taxes added to the costs in the different stages of their progress, is not the whole amount which these enjoyments cost him. He has still to pay wages and profits over and above those which have been added to the com-

* Wealth of Nations, vol. i. b. ii. c. ii. p. 423, 424.

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modities before they reach his hands. Out of the enjoyments he purchases, he must pay something to the interest of the national debt, in a tax upon his coach; and the interest of the national debt is the profit of stock. He must still pay his cook a portion of the victuals he receives from the market, as the wages of his labour, employed in preparing these victuals for his enjoyment.

If there be any truth in what I have here stated, it is manifest, that the wages, profits and rents, which, according to the hypothesis of economists, compose the whole price or exchangeable value of the annual produce of society, are neither the same thing, nor equal to the same thing, as the wages, profits and rents, in which that produce is ultimately distributed for enjoyment, and upon which the burthen of taxes is incident. The one is only part of the other, and all conclusions that rest upon the ground of its being assumed as the whole, must necessarily be unsound. Such conclusions will be found in abundance, not only in every chapter, but in almost every page of modern writers upon the subject of political economy and taxation; and to this fundamental error may be traced most of the mistakes and perplexities in which that science has become involved. Such conclusions will be more particularly noticed in the course of this and subsequent chapters of this work; but my present object is to show, that the *rents*, *profits* and *wages*, paid for *land*, *stock* and

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labour, actually employed in producing and bringing to market the enjoyments of society, do not, as is supposed, compose *the whole of the price* of these commodities; and are not the *whole of the wages, profits* and *rents*, in which every individual of the community receives his portion for enjoyment.

If this has been shown, it will, perhaps, appear that the *wages, profits* and *rents*, paid for *labour, stock* and *land, actually employed* in the supply, ought not to be considered, as they have hitherto been by almost every writer upon the subject, as "the original sources of all revenue, public or "private;" since all revenue is not derived from them; but that the *labour, stock* and *land*,* for which they are paid, ought alone to be so considered. In a society depending entirely upon its own domestic resources for supply, these are the original sources from which all revenue, public or private, must be derived; and in the present chapter, I shall consider the possessions of such a society under the four following heads:—

1st. The funds or sources from which are derived our enjoyments, or the materials of which they are formed.

2nd. The instruments by which they are produced, prepared and distributed.

3rd. These enjoyments in their different stages before they reach the possession of the consumer.

* Including in the term 'land' all the appropriated funds, the soil, the mines, the fisheries, salt pits, &c.

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4th. The enjoyments in the possession of those for whose enjoyment they are destined.

I shall now venture to offer a definition of the most important terms used in the science of political economy, strictly in the sense in which they are generally, and, with few exceptions, uniformly, used in the great work of Doctor Smith. These exceptions, though few, have been important, as the fruitful source of error in this great work itself, and in the numerous theories that have been founded upon it by more recent but less able writers. In this, as in other branches of philosophical inquiry, the errors of a great mind have been seized upon with avidity, and made the foundation of schools and systems, while the great and important truths have been neglected and disregarded; and, unhappily for the science and for the purposes to which its conclusions are applicable, Doctor Smith is now little studied, except in those theories which have been founded upon his errors. I must at the same time premise, that I do not offer these definitions for the guidance or instruction of my readers; and that none of the conclusions of this chapter will be found to depend upon these definitions being received as in themselves strictly correct; because I purpose to make every term that has been the subject of doubt or controversy, define itself in the particular proposition where I use it. I give these definitions, to show the sense in which the terms are generally

used by the great father of the science, and in which I believe it would be of advantage always to use them; and I think the reader will, in the course of this chapter, find sufficient grounds to be satisfied, that a vast deal of error and perplexity has arisen from altering the sense in which these terms are used, as often as it may be found necessary to suit them to different conclusions.

Capital. That portion of the wealth of an individual or of a community of individuals, which is employed or reserved to be employed, with a view to a return in profits.

Capital, Fixed. The funds and instruments of society employed with a view to a return, in profit, [illegible]

Capital, Floating. The mass of produce raised with a view to profit, in its different stages, before it reaches its ultimate destination, that is, before it reaches the hands of the consumer, whether for investment in funds and instruments, or for enjoyments.

Consumption, Productive. [illegible]

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with a view to a return in profits to the employer, or in the commodities they supply.

Consumption, Unproductive. Means employed and consumed without a view to profits, and, therefore, invested in funds and instruments employed without a view to a return in profits to the employer, or not employed at all.

Labour, Productive. That labour which is maintained by capital, and employed with a view to a return in profits to the employer.

Labour, Unproductive. That labour which is maintained by revenue, and employed without a view to a return in profits to the employer.

Price. The exchangeable value of any thing in circulation or money, &c.

Price, Market. The actual price in the market; always the highest that can be got in the existing state of demand for the supply actually in the market.

Price, Natural. That which pays the funds and instruments employed in the supply neither more nor less than the average rate at the time and place of employment; and repays the taxes and duties levied.

Doctr. Smith considered that labour alone to be productive which adds value in exchange to the objects upon which employed. See P. 198 this vol. and P. 4

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Price, Monopoly. That which over and above the taxes and duties pays one of more of the funds or instruments more than that rate.

Revenue, Gross. The annual produce of the funds and instruments of society, plus what it receives from other countries without making a return.

Revenue, Net. What is or may be annually drawn out from the mass of floating capital for enjoyment — that is, all the gross revenue over and above what is required to be re-invested in the funds and instruments of supply.

Revenue, Surplus. In money, the amount in which the local receipt exceeds the local expenditure. In commodities, the amount in which the production exceeds the consumption — in which the gross annual produce exceeds the gross annual consumption, in enjoyment or re-investment in the funds and instruments of supply.

Stock. The *incarnation* of what is commonly termed capital.* Capital embodied

* The "capital" of M. Say is a spirit without a substance, but capable of being embodied in one. Sects. i. c. 10, 12, and 13. It is like the gods of the Hindoos, to be reasoned upon only in its *incarnations*. It would perhaps be less difficult to learn "the *nature* and *functions*" of all the gods in the Hindoo Pantheon, than those of capital in M. Say, Ricardo, &c.

in material, finished work, funds, and instruments. As a general term, it commonly expresses the same thing; and as a particular term, its sense is sufficiently defined by the adjective—agricultural, manufacturing, commercial, live, dead, &c. &c. &c.

Value in exchange. The capacity of one thing, to exchange for any other thing—or the relative capacity of two or more things, to exchange for any third or given thing.

Value in use. Utility.

Value in esteem. Estimability.

Value in costs. The amount of costs incurred in the acquisition.

Value, real. No signification, except as applied—1. to value in exchange; 2. in use; 3. in esteem; 4. in cost.*

Wealth. Accumulated substances vested with exchangeable value. (For my own purpose, I would define the wealth of society to be its material and intellectual stock.)

* Value, according to M. Say, is, like capital, a spirit without a substantive form, but capable of receiving one!! See b. i. c. 12.

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Mr. Ricardo's theory of profits and wages; but circumstances, which it is unnecessary to mention, have prevented me. In the present chapters I venture to submit to the public an imperfect outline of a system of political economy, which appears to me well adapted to the science, well calculated to elicit the truth, and to dispel the mist of fallacy and sophistry in which many branches of it have of late been involved, from the very vague and indefinite manner in which terms have been used by writers and understood by readers. If this imperfect outline should be found to be what I believe it to be, it will, perhaps, be filled up and completed by others, should I not find leisure for the purpose. This outline, and the reviews of the two systems of M. Quesnai and Mr. Ricardo, embrace nearly all that I shall have to offer to the public upon the subject of political economy generally; and the rest of my work will be confined, for the most part, to a consideration of that branch of the science which treats of the incidence, distribution, and consumption of public revenue.

Profits of Stock. The profits which are derived from the employment of Stock

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OUTLINE OF A NEW SYSTEM OF POLITICAL ECONOMY.

THE whole stock and possessions of a society which depends for its material enjoyments upon its own domestic resources, may be considered as comprised under the four following heads :

1st. The funds or sources from which are derived, either these material enjoyments, or any of the elements out of which they or the instruments which provide them are formed.

2nd. The instruments by which these enjoyments are produced from these funds, prepared and suited to our wants, and our tastes, and distributed for our enjoyment.

3rd. The produce of these funds and instruments, in its different stages of preparation and distribution, before it has reached its ultimate destination.

4th. The enjoyments in the possession of those for whose enjoyment they are destined.

The FIRST head comprises the soil, mines, salt-pits, fisheries, &c. whether appropriated and made to pay rent, or left free to the use of those who have the means and the will to use them. It has been shown in the first chapter, that these funds or sources can pay no rent unless they are appropriated : if they are appropriated by the state

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they pay their rents in a public tax; if they are appropriated by individuals, they pay their rents in private incomes; what they pay in either case is the same thing expressed by different terms. It has also been shown, that in some of these funds appropriation is the necessary consequence of the limited powers of these funds to supply, and the rise and progress of seats of demand for their produce; and that rent is the necessary consequence of appropriation — that as the demand for their produce at these seats augments, recourse becomes necessary to poorer and more distant funds for supply; and as supplies are drawn from poorer and more distant funds, the more fertile and less distant pay a greater and a greater rent.

The rents paid for these appropriated funds must be added to the price or exchangeable value of the produce they supply, and in that shape must be paid by the consumer to the proprietor. In nothing else can the one be made to pay, or the other be enabled to receive it. We pay, in the price of the plate we enjoy upon our tables, the rents drawn in South America by individual proprietors as private incomes, and those drawn by Government in public taxes; and, as Doctor Smith observes, "a salmon fishery pays a rent, "and rent makes a part of the price of a salmon "as well as wages and profits."* In the jewels which adorn the persons of our wives and daugh-

* Wealth of Nations, vol. i. b. i. chap. vi. p. 77.

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ters, we pay in public taxes and private incomes the rents of the proprietors of the mines from which they are drawn; and in the price of the tea which our mothers enjoy, we pay not only the rents of the lands from which it is derived, but those of the mines from which the iron, copper, and coals, consumed in the ships, are extracted.

One river may be appropriated in all its course, and made to pay a rent to its proprietors as a fund for the supply of fish; another may be appropriated and made to pay a rent only in some particular parts of its course; one part of the sea may, in the same manner, be appropriated, as a fund for the supply of salt or fish, while the rest equally productive of those articles may be left free to the public. The sea around the Isle of France, for example, is appropriated by the Government and rented out to individuals, as a fund for the supply of *fish*, but is left entirely free as a fund for the supply of *salt;* when, on the contrary, the sea on the coasts of Ceylon and Madras is appropriated by the Government and rented out to individuals as a fund for the supply of *salt*, but left entirely free to the people as a fund for the supply of *fish*. In the one case the exchangeable value or price of fish is greater than it otherwise would be, by the amount of the rent; and in the other case, the price or exchangeable value of *salt* is greater than it otherwise would be, by the

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amount of the rent; for it is hardly to be supposed, that the mere circumstance of appropriation could either increase or diminish the powers of the sea to supply the one or the other.

The soil, mines, salt-pits, and inland fisheries, are commonly appropriated in nations that have advanced at all beyond a state of barbarism. The inland salt works of France were, it is said, till the year 1819 confined to extracts from impregnated waters; but they were as much appropriated then, though perhaps they yielded less rent, as they can be now, when they have penetrated to the mines of fossil salt. The principles by which rents of such funds are regulated after they become appropriated, have been so fully explained in the first chapter, that it will not be necessary to consider them at any greater length in this. As a general principle it may be with truth affirmed, after Doctor Smith, that these funds, while their fertility remains the same, yield what we require from them in proportion to the number and the powers of the instruments applied to them; and that while the number and powers of the instruments remain the same, they yield what we require from them in proportion to their fertility.*

* Wealth of Nations, vol. i. b. ii. chap. i. p. 421.

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CHAPTER III.

OUTLINE OF A NEW SYSTEM — CONTINUED.

THE SECOND portion of the national stock or possessions comprises all the instruments by which the material enjoyments of society, or the materials of which they are formed, are produced from the funds or sources that yield them, and by which they are prepared to suit our wants and our tastes, and distributed to their ultimate destination. All the works, machines, implements, cattle, and human capacities employed to make the funds yield the enjoyments we require from them, or the materials of which they are formed—all those by which these materials are formed and fashioned into a shape suitable to our wants and our tastes—all those by which these enjoyments in their several stages, are distributed among the individuals of which a nation is composed, or among the different nations of which the commercial world is composed, come properly under this head. Doctor Smith considered fixed capital to be composed, 1st, of all the machines, instruments, implements, &c. so employed; 2nd, of all warehouses, workhouses, farmhouses, shops, &c. &c.; 3rd, drains, enclosures, &c.; 4th, all the acquired and useful abilities of man:* but of all which a so-

† Wealth of Nations, vol. i. b. ii. chap. i. p. 413—416.

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ciety possesses of these things, that only he considered capital, which is actually employed *as capital* with a view to a return in profits to the employer.

Without these instruments of production, preparation, and distribution, no material enjoyments could possibly be produced, prepared, or distributed; but they may be formed, maintained, and employed by revenue without any view to a return in profits; and, consequently, without adding any exchangeable value to the enjoyments produced, prepared, or distributed by them, as will by and by be more particularly explained.

Among these instruments are, of course, included as by far the most important, all the mental and physical powers of man, employed in the production, preparation, and distribution of our enjoyments, whether they be so employed with a view to a return of profits to the individuals by whom they are maintained and employed, or without any such view. For example, had the Duke of Bridgewater's canal between Manchester and Liverpool been formed by his Grace by means of the mental and physical powers of men, maintained and employed without a view to a return in profits; and were the men who are now occupied in repairing and keeping it in order, maintained by his Grace's income, employed without a view to such return, their mental and physical powers would have been just as efficiently exer-

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used as if the contrary were the case, for the distribution of the enjoyments. They would, however, have added nothing to the price or exchangeable value of the commodities distributed by their means, because no duty would have been imposed upon them, in order to pay his Grace a return of profits. I quote not this invidiously, because his Grace has formed a very useful work, and has a just claim to returns in these duties; and though he formed it with a view to profit, and therefore employed his revenues as *capital*, the profits his Grace derives are, no doubt, much less than the amount of costs saved in the distribution of these commodities by the formation of the canal. That portion of their price which is composed of the costs of distribution is less than it would have been without the canal; but it is more than it would have been had the canal been formed from revenue, employed without a view to a return in profits.

Cicero divided the instruments which contributed to the support of man into animate and inanimate; and the animate portion he subdivided into rational and brute. "Quæ ergo ad vitam homi-
"num tuendam pertinent partem sunt inanima, ut
"aurum, argentum, ut ea quæ gignuntur é terrâ,
"ut alia ejusdem generis; partim animalia, quæ
"habent suos impetus, et rerum appetitus. Eorum
"autem alia rationis expertia sunt, alia ratione
"utentia."* The instruments of production, pre-

* Offices, Lib. ii.

Here in this followed his great Master Aristotle see Politics B 1 C 2 all arts and employments require proper instruments for effecting their respective ends — these instruments some are inanimate and others endowed with life — the sailors as well as the

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paration and distribution, might very properly be classed, after the Roman orator and philosopher, into rational, irrational and inanimate.

These instruments must all be provided and maintained out of the gross produce of society, by drains upon what may be considered the great reservoir of floating capital, into which that produce flows from the funds and instruments employed in the supply; and the extent and fertility of the funds remaining the same, the produce which flows in, must be in proportion to the number and efficiency of the instruments applied. But these instruments, in order that they may find employment, require a demand or drain for what they are capable of producing; for if a demand does not exist, to drain from the great intervening reservoir, it must necessarily fill in time, and choke the funds and instruments from which it receives a continued supply. To these instruments it matters little whether the demand and drain arises from a desire to enjoy at home the things they provide, or to purchase with them articles for enjoyment from distant nations; or to reinvest them in the funds and instruments — as long as the desire, whatever it be, occasions the demand and drain from the great intervening reservoir.

This great reservoir into which the funds and instruments of society pour their annual supply, is drained periodically in one or other of the four following ways: 1st, To be enjoyed or set aside for

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enjoyment at home. 2nd, To be sent out to purchase equivalents from other countries. 3rd, To be invested in the funds and instruments for their augmentation, improvement or maintenance. 4th, To pay tribute to other nations in public taxes or private incomes; consequently, to bring back no equivalent return from the funds and instruments of other countries. There may be accidental drains, in earthquakes, tempests, invasions, civil wars, fires, shipwrecks, &c. but with these calamities, and accidents I have here nothing to do; the modes I have described are the only ways in which there can be a permanent and steady drain.

In their claims upon this great reservoir, society may be considered as divided into four great classes: 1st, That of those who claim a portion as the wages of their mental and physical powers, employed as instruments of production, preparation or distribution. 2nd, That of those who claim a portion as the profits of their stock so employed. 3rd, That of those who claim a portion as the rent of their property in the funds or sources themselves. 4th, That of those who demand a portion in fulfilment of a claim secured directly or indirectly upon the *labour* of the first, the *stock* of the second, or the *funds* of the third. These are the original sources of all revenue, public and private; and there is no member of any society, which depends upon its own domestic re-

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sources, that is not included in one or other of these four classes, [illegible]

The first class, who depend entirely upon the wages of their labour, can have no claim upon the great reservoir unless their labour be in demand; and their labour cannot continue to be so, unless there be a continued demand for what that labour can supply. The second class, who depend upon the profits of their stock employed as instruments, can have no claim, unless their stock be employed; and their stock in instruments cannot continue to be employed, unless there be a continued demand for what these instruments can supply. The third class, who depend upon the rents of their property in the funds or sources themselves, can have no claim upon the returns of any other funds, or upon any thing but the rude produce of their own, unless the produce of their funds be in demand. The fourth class, who depend upon the incomes derived from claims secured directly or indirectly upon the labour of the first, the stock of the second, and the funds of the third, can have none of their claims answered, unless the funds and instruments upon which they are so secured find employment; and unless these claims are answered, they can have none upon the great reservoir.

The desire to drain from this great reservoir may exist in any one of these four great classes, without the means, or beyond the extent of the

means of gratification; but the desire without the means is inoperative; to effect the drain, the desire and the means must be united. But the means may exist without the desire, and the means without the desire are no less impotent than the desire without the means.

The means of the individuals of these four classes are the claims which the first three acquire by the employment of their mental and physical powers, their stock, and their funds, in the production, preparation, and distribution of our material enjoyments; and those which the fourth secures directly or indirectly upon them. In the ordinary enforcement of these claims or demands, upon the great reservoir of the floating capital of society, the different members do not throw back into it any thing in exchange for what they draw out; they draw from it only in fulfilment of the claims they have already secured upon it, or in anticipation of the supply they are afterwards directly or indirectly to throw into it. The priest takes out his portion, in fulfilment of his claim in tithe; the members of all our public establishments, including that of our public creditors, take out their portions in fulfilment of their claims, secured indirectly through the medium of government, to the amount of fifty millions a year; the poor take out their portion to the amount of five millions; and neither of those, nor the fourth great class [illegible], have any thing whatever to throw in return

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into the great reservoir — they neither produce, prepare, nor distribute. These may be all considered as public claims; and the private claims of those who take out, in fulfilment of claims secured by assistance given, pleasure and instruction imparted, without throwing back any thing in exchange into the great reservoir, cannot be estimated at less than fifty millions a year; making a total of about one hundred millions a year, drained from the great reservoir by the members of the fourth great class, who throw nothing whatever into it in return.

The merchant who drains from this great reservoir to export to foreign countries, throws back nothing immediately in exchange, but draws it out in anticipation of what he is to throw in, when his ships bring home his returns — the labourers employed in the production, preparation, and distribution of our materials, those who have stock so employed, and those who have funds worked in production, draw out from the great reservoir in exchange for what they have already thrown in or in anticipation of what they are hereafter to throw in; and for the time drain so much from the actual quantity it contains. All the component parts of this great mass are floating capital while they are circulating from the fund to the producer; from the producer to the preparer; from the preparer to the distributor; and among the distributors in the different stages of their progress towards the

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hands of those who are ultimately to withdraw them, for one or other of the four purposes mentioned above, viz. 1. to enjoy, 2. to export, 3. to invest in funds and instruments, or 4. to pay tribute. The costs upon them must, in all these different stages, be still accumulating, in the wages and profits of the instruments employed, and in the taxes and duties imposed upon them; and out of an augmented price must these accumulating costs be paid, if they are paid at all.

The moment that the demand and drain ceases for any particular article, or diminishes, a portion of it must stagnate in the possession of those who are themselves employed as instruments of distribution, or have stock so employed, in all the stages of its progress. These cease to take from the instruments of preparation, and the latter to take from the instruments of production, and the instruments of production to take from the funds that yield. The costs which all have been adding to the article, are either not paid at all, or are not fully paid; and their means to drain from the great reservoir, depending entirely upon this payment are of necessity diminished in the same proportion. The demand for all the other articles, in which the amount of their claims had been usually drawn must be diminished, because though the *desire* to drain still remains, the *means* are wanting. Thus, when the demand for any article of great and ordinary

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supply ceases or considerably diminishes in any artificial society, the demand for a vast number of others must necessarily diminish at the same time; and general stagnation prevail. Some portion of the instruments, employed in the supply of such an article, may be freely convertible to the supply of others, and immediately find employment; but others, as well in the mental and physical powers of man, as in the capacities of the brute and inanimate instruments, are not so; and while the article for which the demand has been lost, remains a dead weight upon the floating capital of the nation, their want of employment and means must cause others to remain the same; and the stagnation runs through every branch of the nation's industry.

If the four classes into which I have supposed the society to be divided, drain periodically what the great reservoir periodically receives from the funds and instruments of supply, the annual reproduction goes on; and the claims secured directly or indirectly upon the funds and instruments, continue to be fulfilled; because those who have secured them continue to take in fulfilment that which they are able to supply; but if these classes will not take what this great reservoir receives and owes to their collective claims, the annual supply must in time cease, through the medium of glut and stagnation. If men come to a resolution to limit their material enjoyments to

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the absolute necessaries of life, they must necessarily cease to drain from this great reservoir any of its conveniences, luxuries, embellishments, or elegancies; and all the instruments employed in producing, preparing, and distributing them, must, through the medium of stagnation and glut, cease to find employment, and consequently cease to have or convey any independent claim upon the annual returns of those employed in the production of the absolute necessaries of life.

If men cease to drain from this great reservoir the conveniences, luxuries, and elegancies of life for enjoyment, they must be drained, if they are drained at all, for one or other of the other three purposes. If they are drained for export, we shall receive in exchange nothing but the absolute necessaries of life; because, by the above supposition we limit our enjoyments to such, and the merchant importer would bring nothing into the society but what the society might be found willing to enjoy. While other nations were found able and willing to give us these absolute necessaries of life in exchange for our conveniences, luxuries, and elegancies, we should find employment for those required to produce, prepare, and convey them to those other nations, and to bring back what we take from them, and in this employment they would find an independent claim upon the returns. We should increase the numbers without increasing the comforts of our population—we

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might be a manufacturing nation still, but without enjoying the produce. If they are drained for investment in funds and instruments, the conveniences, luxuries, and elegancies, the enjoyment of which we forego, cannot be themselves so invested; they are not, by the supposition, enjoyed by men or rational instruments; they are not given to our cattle, used as manure, or formed into works and machines. They must be exported to purchase that which can be so employed from other countries; and we continue to accumulate instruments, in order to augment the number of our population, without improving our enjoyments. Other nations enjoy our conveniences, luxuries, and elegancies; and we consume their necessaries. If we drain the great reservoir in the fourth mode, to send out in tribute, as the private incomes of our absentees, or the public tribute of a foreign state, we neither augment our numbers, by an import of necessaries, nor our enjoyments, by an influx of luxuries.

If the external demand for our luxuries should cease, while we limited our enjoyments to the simple necessaries of life, we should not increase our numbers beyond the extent to which our own domestic funds and instruments could supply those necessaries; and no other funds and instruments would find employment but such as were adapted to this supply. Upon a tolerable soil, and under a tolerable system of agriculture, one third or one

fourth of the people employed as instruments, and aided by the brute and inanimate instruments they require, can supply the absolute necessaries required for the subsistence of the whole; the other two thirds will, therefore, be without employment. But of those without employment they only would have any independent claims upon the annual returns, who had a property in the funds to which the labour of the others was applied, or in the brute and and inanimate instruments by which their labours were assisted. Society would revert to its early state of agricultural or pastoral simplicity, and its helpless dependence upon government and land proprietors. If Lycurgus or Menu were employed to new model our system upon their Spartan or Hindoo plan, all those who are themselves employed as instruments, or who have stock employed as instruments, in the production, preparation, and distribution of our luxuries, would be thrown out of employment, and left to swell the idle trains of the proprietors of the soil, and the officers of government; for, as I have more fully explained in the first chapter, when industry is confined to agriculture, the whole society must be left dependent upon them. Society might, perhaps, feel itself in some measure compensated for the loss of luxuries, by the destruction of a good many tedious and perplexing theories upon the subject of *capital*, *profits*, and *wages*.

The case I have supposed may, no doubt, be

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very properly considered as an extreme one; but a general disposition to save and accumulate, with a view to profit, must of necessity tend to produce it in any society: unless it happens to be relieved by subsidies to foreign armies, revenue to absentees, or tribute to foreign princes, through the medium of which those who save and accumulate are made to contribute to the employment and subsistence of those who have nothing but their mental and physical powers to depend upon. That the great reservoir must be periodically drained of what it periodically receives, in order to keep the funds and instruments employed, no man denies;* on the contrary every man supposes the existence of that necessity, at the very time, that he advocates the disposition to save and accumulate, as the only means of *increasing employment;* and holds up a *miser* as the most useful though not the most amiable member of society. There must be fallacy and sophistry somewhere; [illegible] to explain in what those things ought to be found.†

It is said, that there is no occasion to drain this reservoir of any thing with a view to enjoyment, beyond the simple necessaries of life; because all that is over and above these necessaries, may be employed as *capital*, with a view to profit. But it is admitted that these things must be drawn out from the great mass of floating capital for some

* Wealth of Nations, vol. i. b. ii. c. i. p. 419.

Lord Lauderdale endeavours to shew that the distribution of wealth depends upon the demand for the product, and the demand for the produce upon the distribution of wealth [illegible] 303. 311. 312. 328. 334. 337. 350. 391. 311—and he argues that parsimony cannot be the cause of wealth [illegible] 2. 210. 208. 188. 216. 264. 280

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purpose or another, otherwise they must be left to stagnate, to the injury or ruin of those who cannot dispose of them. In this admission of Dr. Smith,* every body agrees: Mr. Ricardo, M. Say, Mr. Mill, and Mr. M'Culloch, who *demonstrate* the *impossibility* of a glut and stagnation; Mr. Malthus and M. De Sismondi, who *prove* not only its *possibility* but its *actual existence*. If we admit that these things must be drained from the mass of floating capital, in order to give employment; and argue, that they need not be drained with a view to enjoyment, because there will be always a sufficient inducement to drain them for employment, as capital, with a view to profit, we suppose that they can always be reinvested in funds and instruments for ever capable of finding employment, at an undiminished rate of profit.

But this is great folly. It is extremely absurd to suppose that if men had no disposition to enjoy anything more than the absolute necessaries of life, they will always have a sufficient motive to drain the other things which the genius and industry of man supply, in the assurance of being able to make a profit by their employment as capital. To say, that if not drawn for enjoyment, they *may* be drawn for investment in funds and instruments, is nothing more than to say that the means *may* be made the end; and, that a society of men may become a society of children! The

* Wealth of Nations, vol. i. b. ii. c. i. p. 419.

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end and object of the funds and instruments of supply in a society of men, is, to provide enjoyments for the different members;* but we may no doubt make enjoyments out of the funds and instruments themselves, when we cease to find profitable employments for them. The miser, when unwilling or unable to lend his money at interest, may convert this instrument into an enjoyment—a plaything.†

But to say, that if not drawn out for enjoyment they *will be* drawn out to be invested in funds and instruments, because these funds and instruments can and will always be employed with undiminished profits, is absurd; and no less contrary to all just principles of reasoning, than to fact and experience. What is it of our luxuries and elegancies that we can really invest in funds and instruments, with a view to a return in profits? The great mass of rational instruments cannot, unhappily, enjoy many of them in any society, and we cannot form ships, steam-engines, and ploughs, out of wines, lace, silks, ribbons, and musical instruments. By refusing to enjoy these things in order to [redacted] a future claim, we do not cause them to be drained for investment in funds and instruments—they neither furnish us with manure for our soil, tools for mining and husbandry, nor materials for our works and machines. We may,

* Wealth of Nations, vol. i. b. i. c. i. p. 419.

† A manufacturer of steam-engines may, when he ceases to sell them, continue to make them as playthings for his children.

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it is true, send them to foreign countries to purchase these things; and thereby enable ourselves, to accumulate instruments without any necessity to enjoy what they are capable of supplying; but this must have an end, or we should in time bury ourselves under an overwhelming heap of useless instruments, which had long ceased to yield either profit or enjoyment to the society.

The conclusion, that without any disposition to enjoy more than the simple necessaries of life, there will always be a sufficient drain upon the great mass of floating capital for investments in funds and instruments, with a view to profit, rests upon premises manifestly false, namely that a society may go on accumulating its instruments, no matter of what kind, till it lies buried under them, and that the last added to the pile shall produce as much profit to the proprietor as the first, simply because it is equally well adapted to employment. If it be equally well adapted to employment, it must, it is said, be equally capable of finding it; and being equally able to find it, must be equally able to make the same profit.* After Lycurgus and Menu had new-modelled our system upon their Spartan and Hindoo plan, a vast number of the instruments employed in our manufactures and commerce, would cease to find profitable employment, though equally well adapted to it. Is it because the

* M'Culloch's Principles, p. 378 to 380.

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men, or rational instruments of Ireland are not adapted to employment, that they cannot find it? or is it because those who command the means of their subsistence; and, consequently, their mental and physical powers, will not employ those powers for the general benefit of the society?

In the works of those who argue, that a general disposition to limit our enjoyments to the simple necessaries of life, must tend to augment the means of employment, and to benefit society, inasmuch as it tends to *the accumulation of capital*, we find, that the employment for industry, the profits of that capital, and the demand for produce are made to depend upon a *disposition to consume luxuries*. For their argument, it is absolutely necessary to suppose the same thing to be, and not to be, at the same time; and two things, diametrically opposed to each other, to be one and the same.* It is argued, that for the full employment of all the members of the society, who depend upon their employment for subsistence, it is useful, that men should limit their enjoyments to the simple necessaries of life; and forego entirely,

* M'Culloch's Principles, p. 178. and 378. "There is," he says, "no limit to the passion for *accumulation*;" and as *accumulation* and *saving*, are the same thing as *enjoyment* and *consumption*, there can be no limit to *consumption* and *enjoyment*. Do his arguments, or do they not, amount to this? Is the following quotation made to show that men will purchase for enjoyment and consumption, or is it not?

"Nec Crœsi fortuna unquam, nec Persica regna sufficient animo."—p. 178. and does he, or does he not suppose two diametrically opposite things to be the same thing? But in this he is not at all singular.

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with a view to accumulation, all its conveniences, luxuries, and embellishments. But as one-third or one-fourth of the people can provide simple necessaries for the whole, in an improved state of society, it is necessary, to give employment to the rest, that luxuries, conveniences and embellishments should be enjoyed: it is therefore necessary, for the same end, that they should and should not be enjoyed at the same time. But, say the disciples of this school, to enjoy these things, and to accumulate them with a view to profit, are one and the same thing; and so are the desire to enjoy them and the desire to accumulate them. The desire to save and accumulate, which induces a man to forego the enjoyment, is the same thing as the desire to enjoy, which induces a man to consume; but, unfortunately for this argument, it is supposed that men forego the enjoyment only while they feel the assurance of making a profit upon what they accumulate; and what profit can be made upon the accumulation of things which no man desires to enjoy?*

* M. Say falls into the same error. While he advocates a system of saving and retrenchment, that should limit the enjoyments of man to the simple necessaries of life, he argues, that every man must spend his income; and, that the whole amount of expenditure and demand for the produce of industry, must be always equal to the whole amount of the incomes of society, otherwise the members will not be well employed!! Vol. ii. b. iii. c. 5. p. 264. He supposes that the demand for the produce of industry is and must always be *co-extensive* with the whole revenue or incomes of society; but if men adopted his system, the demand would be *co-extensive* with that part only of the incomes which was actually expended; and not to the whole of what were available for expenditure.

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It is become fashionable to consider commodities as if they were exchanged against other commodities in a never-ending revolution; and consequently, to argue, that the more of these commodities there are saved and accumulated in any society, the greater must be the demand for others to match them; and consequently, the greater the employment for those who are occupied in the supply. To enjoy commodities must, therefore, be *an evil*, because in the enjoyment they must at last be consumed, or withdrawn from the demand. But if the desire to enjoy them cease, they could no longer be in demand, because their being in demand happens to depend upon their exchangeable value; and their exchangeable value, upon the desire to enjoy them; and the moment that men ceased to desire them for enjoyment, from that moment they would cease to have exchangeable value, and to be in demand. That there cannot be a glut of commodities in any society, is a conclusion supported entirely upon false premises; but that such a glut is of rare occurrence is true, because a general disposition to limit enjoyments to the simple necessaries of life, seldom very suddenly succeeds to a general disposition to extend them to its conveniences, luxuries and elegancies.

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this would, for a time, be a small part; but the incomes would diminish with the disappearance of the material and intellectual stock, till we became Spartans and Brahmins.

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It is argued, that every man has demand to the extent of his own production, because what he produces furnishes him with the means; and he must have the desire either to consume these means in the shape he produces them, or to purchase with them what others produce; the demand must, therefore, be equal to the supply, and consequently, a glut is impossible. The understandings of men could hardly be insulted by a proposition involving a greater portion of fallacy and sophistry than this! That every man has the means to consume, to the extent of his own production, is a premise essentially false in any society advanced beyond the purely savage state; and is elaborately proved to be false, in the writings of every man, who, to support his argument, has assumed it as a truth! The farmer who pays his rents, taxes, tithes, and poor rates, pays them in a portion of what he produces; and for these he receives no equivalent either for enjoyment, or for reinvestment in funds and instruments. They give him nothing of the produce of their own labour, in exchange for what they take of the produce of his—that portion of the produce of his labour which they take, being taken, not as an equivalent for any thing they give in exchange, but in fulfilment of a claim they have secured directly or indirectly upon the original sources of all revenue—the land, stock, and labour of the society.

The farmer may have, and no doubt has, the

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desire to consume to the whole extent of the produce of his farm, either in enjoyment or reinvestment in the funds and instruments he employs; but he has not the means — he has in the first place to pay the public claims secured upon him in tithes, taxes, and poor rates—and in the second place he has to pay the private claims secured upon him in rent, interest, &c. He has not the means to purchase equivalents with this portion of his annual produce either for enjoyment or for reinvestment; and his desire without the means is impotent. The landlord, the priest, the public servants of the state, and his private creditors, who have these claims upon him, may have the means of draining so much from the great mass of floating capital without the will; and the means without the will are inoperative. They may forego the enjoyment of what their claims give them, in order to augment the amount of these claims for the future — they may lend with that view to the farmer what they might have taken from him for enjoyment; and he may reinvest it in his funds and instruments, and thereby add to the extent and fertility of the one, and the number and efficiency of the other. His annual supply to the great reservoir will be augmented in proportion; but if all those who have such claims employ what these claims give them in the same manner, all the instruments employed in the other branches of industry must be thrown out of employment,

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because no man will enjoy what they supply; and if no man will enjoy it, it can have no value in exchange — it can purchase nothing, because no man will be willing to give any thing for it. Losing their employment, the rational instruments, and the proprietors of the brute and inanimate instruments, lose their means of purchasing land produce; while the mass of the supply is augmented by the conversion to this single branch of industry of all the instruments capable of being converted.

The farmer ceasing to find a demand for his produce, that is, ceasing to find people willing and able to give what he requires in exchange for it, finds himself unable to fulfil all the claims directly or indirectly secured upon him — if his tithe be exacted, he pays it out of a loan of his rents — if his taxes, out of a loan of his tithes; and to purchase clothing for his family, he may get a loan from private creditors, willing to risk their means in a desperate game, till he sinks under the accumulated load of claims, and all find that their savings and retrenchments have been made in vain.

I may be permitted to illustrate this reasoning by a case not uncommon in India, where rents, taxes, tithes, and poor rates, are all concentrated in one great *Juma*, or land tax. I have stated that there are only four modes in which the drain, absolutely necessary, from the great mass of floating

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capital, is ordinarily made in any society: 1st, for enjoyment; 2nd, for export; 3rd, for reinvestment; 4th, for public tribute and the incomes of absentees. The Government of India, which includes in its land-tax rents, tithes, poor-rates, &c. &c. often saves and retrenches from the first, not with a view to drain for the second or third of these purposes, but from a desire to appropriate to the fourth; and it may be useful to consider the local Governments of India in the same situation, with reference to the several districts and provinces over which they rule, as that in which England stands with reference to India in general, that is, in the situation of foreign states or absentees. The only means that suggest themselves, to enable the Government to drain for the two last purposes from India generally, for England generally; or from any particular district, for any particular local Government, are to augment the Juma, or land-tax, and to diminish the Khureh or expenditure, just in the same way as a merchant manages his accounts; for, in the administration of our eastern empire, there has hitherto been a great disposition to reduce the *science of Government* to the art of *book-keeping*.

With the reduction of public establishments, and diminution of local expenditure made with this view, immediately after the Juma has been fixed

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at the highest possible rate, consistent with the decent subsistence of the people, and the cultivation of the land, the demand for agricultural produce necessarily diminishes; and the farmers and cultivators become unable to pay the Government demands. The *reigning system* of political economy in Europe would attribute this inability solely and exclusively to *a want of capital;* and it is no less agreeable to princes, who draw the *vitals* of society in public tribute, than to Irish absentees, who draw them in private incomes, to learn that, as long as these *vitals* are drawn in this manner, society can never suffer from their loss. But the same school, which attributes or would attribute the inability to a want of *capital*, shows that this capital can be increased only by savings and retrenchments upon expenditure; and as they prove to tribute-receiving states and absentees, that their distant expenditure is a salutary drain of *vitals*, by which the society is relieved, they *demonstrate* that the saving and retrenchment must be local. Local establishments and expenditure are, therefore, further diminished, and the money saved is advanced to the farmers and cultivators as *capital*, with a view to a return of profit in the interest, under the denomination of *Tucawee*.

This loan of money, collected into the treasuries as rent, and lent out as *capital*, is to enable them to increase the number of their instruments in

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men, seed, bullocks, ploughs, &c. &c., for their efficiency has remained the same for the last three thousand years, and may remain the same three thousand years more, unless our system of administration improves. But this is merely giving back to them, as capital, encumbered with a claim for interest, what we have exacted from them as revenue. As capital, employed with a view to profit, it secures us a claim upon their annual returns in the interest; but the demand for their produce continuing the same, or being still further diminished by still further reductions in the local expenditure for public purposes, those to whom we lend neither have nor can have any means to answer these claims. If they increase the produce, the price is still further reduced, and the evil aggravated, inasmuch as the supply is augmented, with a diminished demand. Commonly, however, this inconvenience is obviated by the native collector of revenue, appointed to distribute the loan. He contrives to arrest the money in its progress from the treasury to the fields — retains it in his box for a few days, charging it to the farmers and cultivators as a loan, and crediting it to them as a payment of revenue; after which ceremony, it finds its way quietly back to the treasury. In a few years it is, perhaps, found that by thus advancing or pretending to advance, to them as capital, what had been taken from them as revenue, Government has, in addition to

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a claim for land tax, which they were unable to fulfil, encumbered them with another for the profits of stock which they either never used, or used to their own injury; and that the whole annual produce of the land, sold at the price to which a diminished local expenditure has reduced it, would be insufficient to pay either the one or the other. Government is, therefore, at last obliged to remit, with the accumulated interest, all the advances of capital by which the settlement of the land revenue had been propped up, or to relinquish altogether its claim to land revenue.

It is extremely absurd to talk of the capital of these farmers and cultivators finding employment in other branches of industry, when they feel themselves oppressed in this, in a society whose industry is so much confined to agriculture. To what other branch of industry are their physical and mental powers, their bullocks and their ploughs, convertible? These are the instruments by whose employment they subsist; and if they are encumbered with claims which they cannot fulfil, their only relief is in emigration; and it is often through emigration alone that they can convince the Government that this saving and retrenchment in local expenditure for public purposes, has not been productive of as much *good* to the society as of claims to itself. Had the revenue been employed as revenue in local expenditure for public purposes, in building churches, hos-

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pitals, bridges, aqueducts, reservoirs, roads and other works, useful and ornamental to the country; or in maintaining establishments employed in promoting the welfare and happiness of the people, the farmers and cultivators would have been relieved—the necessity of a reduction in the demands upon them obviated, and the condition of society improved. [illegible]

Abundant instances of desire, without the means, to drain for enjoyment from the great mass of floating capital, present themselves in an army and navy paid off and disbanded after a long and expensive war; in the consequent want of employment and of means among those who were occupied in the various branches of industry, for their supply; and among those who had stock so employed: and what nation or petty state in Europe did not feel stagnation, distress and embarrassment on the return to peace after the long and general war that followed the French revolution? Instances of the means without the will, to drain for consumption from the mass of floating capital, present themselves in the enormous accumulations, which after the termination of that war, finding no longer profitable employment at home, were sent to seek it in foreign

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countries, in the seats of those very mines from which they were originally derived. Those who have such accumulations, or command them in the claims they have secured upon others, find no men willing to use them, as the means of draining the great reservoir for investment in the instruments of a nation, when they no longer find the employment for those instruments which they require to enable them to fulfil the claims incurred by the loan; and, instead of being [illegible] of draining the domestic reservoir for [illegible] purpose, they are sent out to drain the reservoirs of distant nations — to purchase the services of their men and the produce of their industry. The floating capital of South America was drained for investment in its soil, mines, and manufactures; and its industry was stimulated by British loans.

Whenever this salutary drain upon the great mass of floating capital is obstructed, from whatever cause the obstruction may arise — a want of foreign demand, a too great domestic disposition to save and retrench, with a view to accumulation, restrictions upon, and prohibitions to trades, &c.— it must in time swell and choke the instruments of supply; and as the rational part have "suos "impetus et rerum appetitus," and depend for their gratification entirely upon the employment of their physical and mental powers, they must suffer privation and want; and as they form a great part of the society, the society must suffer.

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If we cannot find employment for inanimate instruments, we cease to form and repair them — if we cannot find it for our brute animals, we cease to breed them, or breed them only to eat them; but we cannot cease to breed men, nor can we, when we cease to find employment for them, feed upon them. We must either take for enjoyment what their physical and mental powers can provide for us, or we must make an end out of their means, and enjoy their mental and physical powers — we may employ them in manufactures, or we may *cage them in convents*—the choice is left with those who command the means of their subsistence, and, therefore, their mental and physical powers.

Spain *caged* her men in convents, because Spain was satisfied with the material enjoyments which could be purchased from the mental and physical powers of other nations, in exchange for the precious metals, taken without equivalents from the funds and instruments of America, either as public tribute, or in private incomes. It had no employment for the mental and physical powers of its rational instruments, who had nothing but these powers to depend upon for subsistence; but those who commanded the subsistence, and consequently the powers, made an end out of the means, and maintained them in pious idleness. Rome, as its conquests extended, and its tribute, in public taxes and private incomes, augmented, made, in the same way, an end out of a means;

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and as it did not require the mental and physical powers of its rational instruments in providing material enjoyments, instead of caging them in convents, and leaving them in listless indolence, it provided them with active exercise in civil wars and discord.

To the same state would saving, steam-engines, and rich colonies, tend to reduce the society of England, if their operation were not powerfully counteracted by standing armies, standing public debts, a complicated system of education, a still more complicated code of laws, an immense church establishment, &c. &c. since the material and intellectual stock invested in these, would in time be the only thing to relieve society from a helpless state of dependence upon land proprietors, tribute receivers, and [illegible].

The conclusion, that there cannot be a glut of commodities because the demand must be always equal to the supply, rests, as I have already stated, upon false premises; and on a careful examination of the works of those who have drawn this conclusion, it will be found to have arisen from the abuse of terms. To establish this conclusion, it has been assumed as a truth, that demand for commodities is neither more nor less than the wages of the labour, the profits of the stock, and the rent of the lands actually employed in the supply of commodities, in any society; and that this is essentially false, may be proved from

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almost every chapter of the same works.* Every man's claim upon the annual returns, whether secured privately or publicly, whether directly or indirectly, is to him the means of demand, represented by money, as he receives it in money: and if to these means he add the will, to consume that portion of the annual returns, he demands and drains so much from the great reservoir. To assert, or to suppose, that all these claims and means consist in the wages of labour, the profits of stock, or the rent of lands, actually employed in the supply of commodities, is to assert or suppose what is manifestly false; because the priest, the soldier, the lawyer, the public creditor, &c. &c. are neither so employed, nor have stock so employed. This, I venture to say, will be found the great source of all the errors and perplexities in which this subject has so long been involved; errors originating in the great father of the science himself, and vitiating the whole of that part of the writings of Mr. Ricardo, M. Say, and Mr. M'Culloch, which treats of supply, demand, consumption, taxation, capital and employment.

Mr. Malthus, Mr. De Sismondi, and many writers in the most popular periodical works of

* See M. Say, vol. i. b. i. c. 15, 16, 17. vol. ii. b. ii. c. 1. But M. Say argues, that a *value* in a product once created can never be augmented in the progress of that product, by the taxes upon it. vol. i. b. i. c. 15. p. 172. Such an assumption must necessarily involve every proposition founded upon it in perplexity, and every conclusion in error.

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the day, have seen that fallacy and sophistry must exist somewhere in the works of these eminent men, since conclusions were made to appear *demonstratively true*, which history and experience proved to be false; but this fallacy and sophistry they have none of them, to my knowledge, satisfactorily explained. To men whose views have been confined to a state of society so very complicated and artificial as that of the more civilized nations of modern Europe, it must be extremely difficult to resolve it into its elementary principles, and to trace, amidst its ever varied and ever varying enjoyments, the nature of the claims from which the several members and classes derive their portions, and the circumstances upon which the employment of these claims depends. For this purpose men require to extend their views to societies in a more simple and less artificial state—to communities in which little material or intellectual stock has been created, or when created has been again annihilated by the rude hand of war, or the still ruder hand of domestic misrule. When we see a tree clothed in all its luxuriance of foliage, it is difficult to trace the source and branches through which the rich and exuberant mass is supplied with nourishment—it is only in the autumn, when this foliage is decayed, or when it has been shaken off or blasted by the tempest, that they appear.

But to return to my general reasoning—what I draw from the great reservoir of floating capital,

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I may enjoy immediately myself; I may give it for enjoyment to another, employed for my immediate gratification or amusement; or I may give it with a view to profit to one, whose mental and physical powers are employed for the gratification of any third person. In the first case, I consume what I draw—in the second place I enjoy and consume what I purchase with it; and in both I employ it as my net revenue. But in the third case I have not employed what I drew as my net revenue. I have foregone the enjoyment of it; but it has been, or may have been, net revenue to the man who has received it, as in the second case, where I enjoyed the mental and physical powers of an individual employed for my amusement. In this second case the man fulfilled my claim upon him immediately—he played for me, prayed for me, danced for me, or sang for me; but in the third case, the person to whom I lend what I draw must secure a claim upon some third person, in order to fulfil that which I have secured upon him. If he has been employed for that third person in playing, dancing, or singing for him, his labour has been net revenue to him, and what he pays for his amusement has been spent as such; but to me it has been given as a return of capital. As long as the man upon whom I secure my claim has been employed in affording enjoyment to another by the immediate exercise of his physical and mental powers, or in producing imme-

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diate enjoyments by the exercise of these powers, his labour must be net revenue ultimately to some one — he either affords or he produces enjoyments.

But if the mental and physical powers of the man to whom I lend what I draw, with a view to profit, be employed as an instrument, not of ~~working~~ working or producing enjoyments, but upon a fund or instrument destined to produce enjoyments, what I give is or may be net revenue to him, but *his* labour is net revenue to no one. The fund or instrument upon which his labour has been employed is neither in itself enjoyment, nor is it in itself capable of receiving enjoyment—the one is merely a fund from which enjoyments are produced; and the other merely an instrument by which they are provided. If, for example, the man weaves lace, the lace is enjoyment to some one, who in the purchase gives him the means of fulfilling the claim I have secured—the man who enjoys it spends the amount of the price as his net revenue, and as his net revenue he enjoys the lace. The food I gave and he enjoyed, and the lace he produced and another enjoyed, have both been net revenue. But if his labour had been employed in making a machine or instrument for weaving lace, that labour would have been net revenue to no one; because the machine is neither in itself enjoyment nor capable of receiving enjoyment—it is merely an instrument for producing it.

Aristotle says that "among various instruments subservient to the purpose of human life there is this material distinction, that the work performed by one class consists in production and the work performed by another is totally consumed in use. A shuttle is a mere instrument for making a web — a vessel or a suit of clothes

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This reasoning will, no doubt, appear too refined and metaphysical for practical purposes, but it is a proposition of "the Wealth of Nations," which I endeavour to make as clear as possible;* because I believe it will be found of considerable importance in reasoning upon the subject of employment, the most important of all subjects to the welfare and happiness of a nation. While the powers of the instruments and the fertility of the funds of any society remain the same, any increase in their number or quantity must increase the produce they yield; and as any saving in the labour of the rational instruments applied to repair and renew the brute and inanimate portion, must leave more rational instruments to operate in conjunction with them, it must necessarily augment the collective number of instruments available for the production of enjoyments. If, for instance, steam-engines *grew spontaneously*, more men would be left to work with them, because no men would be employed to make them. If all the instruments that are available in society be employed always to the extent of their capacity, any such saving must, as Doctor Smith supposes, increase the net revenue or enjoyments of the society.† The rational instruments, as a part of the society, enjoy the same amount, while their powers saved from

* Wealth of Nations, vol. i. b. ii. c. 2. p. 425. 429—434.

† Ibid. vol. i. b. ii. c. ii. p. 434.

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the other instruments, that is to say, taken from them without any loss in efficiency, are employed in producing more enjoyments.

Employed upon the brute and inanimate instruments, their labours are the powers of one set of instruments required to support and maintain the efficiency of another set; and if the efficiency of this second set can be supported and maintained without the application of their labour, there are the powers of two sets of instruments, instead of only one set, available for the supply of net revenue or enjoyments. That enjoyment may be, what it, perhaps, too often is, the gratification of pride, supporting helpless dependence; and of benevolence conscious of relieving unmerited misery; for what theory assumes to be always true, history and experience shows to be commonly false—that all the rational instruments available in the production, preparation, and distribution of our material enjoyments must, when thrown out of employment in one branch of industry, be sure to find it in another. They must always seek it indeed, because they depend upon employment for their subsistence; but they may not be able to find it, because those who command their subsistence may not be willing to take for enjoyment what their labours are calculated to supply.

Let us suppose, that all our material enjoyments, except land produce, could be provided by steam

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engines, which, for their provision and maintenance in a state of efficiency, required the application of only ten rational instruments, -or men; on what would be left to depend all the other rational instruments, who have nothing but the use of their mental and physical powers to offer in exchange for their subsistence? Would not society revert to its primitive state of dependence upon land-proprietors and Government? he difference would only be in the independent claims of ten or a dozen men. The ten men would get only the wages of ten men; and the proprietors of the machines only the profits upon their wages, and upon the raw materials invested in the machines. All the rest of the community would be left in a state of helpless dependence upon the proprietors of funds, and the officers of government; and whether following in their idle trains, or caged in convents, would be obliged to take what they might be graciously pleased to give. It would come to this state through the medium of an increasing price for land produce, and a decreasing price for all manufactured enjoyments. While the exchangeable value of manufactured enjoyments by successive improvements in machinery would be reduced to almost nothing, more and more of them would be given for less and less of land produce, till the whole would not purchase more than the subsistence for ten or a dozen men; and the services of all the other members of the

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community would be purchased with the rest.* "Il ne faut pas toujours epuiser un sujet." We shall in time, or our posterity will, become sensible of the propriety and necessity of employing the mental and physical powers of man for other purposes than the manufacture of trinkets and baubles to glut the markets of the world!

Sometimes we employ what we drain from the great reservoir of floating capital in such a manner as to be net revenue to ourselves—net revenue or enjoyment to those who receive it, and *capital* in all its beneficial purposes, without its encumbrances of claims, to the society in general. We maintain with it people whose mental and physical powers are employed for the general benefit of the community, without any other advantage to ourselves, than that which religion may promise or the public gratitude and esteem afford. The approbation of the Deity—the gratitude and esteem of our fellow-creatures, and the pleasing consciousness of being useful, are our net revenue and enjoyment. When we form a canal, make a road, or build a bridge from our revenue, employed without a view to profit, we give an honest means of earning their subsistence to numbers who have

* It is somewhat singular that M. Say should have supposed this case to show that the labouring classes would be bettered, though they could find no employment; and capitalists, also, though they would lose all employment for their capital! b. i. c. vii. I assure the reader, that I had not seen this passage when I supposed the same extreme case, to show a directly opposite effect.

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nothing but their employment to depend upon, while we give to society the use of a great instrument of distribution, without encumbering it with a claim to a return in profits. Had we formed the great work by our revenue, employed as capital with a view to profit, we should have given the same honest means of subsistence to the people employed, and the same utility to society, in the work itself; but we should have encumbered it with a claim to return, which claim we should enforce through the imposition of a tax or duty for its use. The first is an instance of revenue employed usefully, though not productive of exchangeable value, profit, or *wealth*, if wealth consists in exchangeable value alone—the second is an instance of revenue employed with the same resulting utility to others; but as that utility is purchased from us in the tax or duty, it is at the same time employed in producing profit to us, exchangeable value in the things transported, and paying that duty—and, consequently, *wealth*.

The reservoirs of India and the canals of Egypt were all formed by revenue employed without any view to a return in profits. The gratitude of society and the approbation of the Deity were the net revenue or enjoyment expected by those who formed them. When an English gentleman in a time of scarcity and want sees a native of India, incited by these motives, commence upon the formation of these and other great works to relieve

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the people, he may, perhaps, blush to think that absentees who drew from Ireland incomes of a hundred thousand a year in the absolute necessaries of life, should have been listening to Mr. M'Culloch's lectures upon *capital*, while nine-tenths of their countrymen were perishing of hunger, because no man would give them subsistence for their services! Which would common sense pronounce to be the most efficient aid to that much-abused and misgoverned country—a great land proprietor employing his revenue without a view to profit, in the formation of some great and useful work, or an English manufacturer, imported with ship-loads of power looms and steam engines? We may lament, and endeavour to remove the causes, which render the residence of the former at home unsafe; but we ought not to insult the common sense of the nation, with the fallacy and sophistry that would make his absence appear useful.

In our ignorance and prejudices we have directly or indirectly discouraged this mode of employing revenue throughout our Eastern dominions; and with few exceptions it is only in the territories of native chiefs and princes, that these great and useful works are now formed or maintained. In our territories, the canals, bridges, reservoirs, wells, groves, temples, seraes, &c. &c. all formed by revenue so employed, without any view to a return in profit, are going to decay with the

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feelings in which they originated, and they will soon leave no trace behind them. A little longer continuance of our selfish administration will level the face of the country, as it has levelled the ranks of society, and will leave a plain surface for wiser statesmen to act upon. The aspect of society presents no middle class; and the aspect of the country is losing all those great works of ornament and utility with which we found it adorned — great families are levelled and lost in the crowd; and great cities are dwindled into farm villages—the work of destruction goes on; and, unless we act upon a new system of political economy, it will proceed. The work of destruction is systematic, that of regeneration accidental. That two great minds, like those of the Marquess of Hastings and Mr. Adam, should succeed each other in the administrations is an accident.

The religion and the feelings of the people of India stimulated them to the original formation of such works for the gratuitous benefit of society; but the same religion and feelings did not stimulate them to their repair and support. It is by the original formation of these works of ornament and utility, that the Deity is supposed to be propitiated, and the esteem and grateful recollections of society are secured. As they must for ever bear the name of the person by whom they are first formed, and to whom the whole merits of the work are exclusively secured, no individual

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has a sufficient motive to repair and support them. But under a native Government, it was never necessary that any individual should employ his means in their repair and support; nor was it necessary that Government should ever employ its means in their original formation. It was the utility alone of such works, either local or general, which gave them merit in the eye of the Deity, or in the estimation of mankind; and none, therefore, were ever formed that were not valuable to the people either in use or in esteem. Of such works the sovereign, as the common parent and guardian of all, undertook the repair and support, either directly or indirectly. He provided for their repair and support either from revenue actually collected, or from a remission of revenue given especially for the purpose. The merit of forming such works, in the estimation of society lasted as long as they were found useful; and as the duration of their utility depended upon their repair and support, the motive to form them was strong or weak in proportion as the assurance that Government would so repair and support them was or was not felt. Native Governments generally gave this feeling of assurance — ours commonly gives the assurance, not only that they will not be repaired and supported, but that they will not even be respected. The Government will not itself destroy them, but it will not prevent their destruction by others; and the public esta-

blishments of our Government are often their greatest enemies.* How many thousand links, by which the affections of the people are united to the soil and to their Government, are every year lost or destroyed by our selfishness and ignorance; and yet, if our views in the country extended beyond the returns of a single harvest, beyond the march of a single detachment, or the journey of a single day, we could not be so blind to their utility and advantage even to ourselves.

I have not, in the course of this section, pretended to argue that there is or has been an actual glut of material enjoyments in England or any other country; but if it be shown that there is any where an actual glut of the most efficient of all the instruments of production in England or any other country, it may be fairly concluded that there is or may be an actual glut of what these instruments produce, or are calculated to produce. That there is and has been a glut of such instruments in England, seems to have been assumed as a truth by the legislature, and felt as a truth by the nation in general; and that there is and has been a glut of them in Ireland, no man in his senses can deny. These instruments are that portion of the members of society who have nothing but their physical and mental powers to depend upon; and who will presume to deny that

* The mango groves of India were works of great ornament and utility; and it has unquestionably been the tendency of our rule to diminish them.

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the mental and physical powers of thousands and tens of thousand who every year are seeking in vain for employment in England, are efficient to the production of material enjoyments, or to the promotion of the happiness and welfare of society? These men have, as Cicero says, their own wants and appetites, which depend for gratification upon their employment; but if those who command their mental and physical powers, through the means of their subsistence, will not employ them, what are they to do? Ireland is a melancholy instance of such a glut of rational instruments in the midst of *civilized Europe* — there we see millions demanding subsistence, and in return offering the use of the mental and physical powers which God has given them, but offering it in vain; while sums amounting to millions are every year sent in the absolute necessaries of life to pay the incomes of absentees in distant countries. Whether those who command their subsistence, give it to them as net revenue to enjoy their services, or to make them, gratuitously, beneficial to society; or as capital, with a view to a return in profits to themselves, is to them of little importance as long as it is given; but if they offer in vain the use of these powers which God in his mercy has bestowed upon them, they are reduced to a condition worse than brutes; for of the brute animals we employ and feed such as we can convert to useful purposes — and can it be that the faculties of man are not so convertible?

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Whether the land-proprietors, and church men who draw their millions a year in rent and tithe, should employ these millions without a view to profit, in some works useful or ornamental to their own particular estates, or to the country in general; or with a view to profits in manufactures—would be to the people indifferent, as long as they were honestly and usefully employed. The mental and physical powers which the Deity has given to man individually, may always be employed to the advantage of the society of which he is a member, generally; and when the world becomes wiser, those powers will not seek employment in vain. "Country gentlemen in France do not "employ, perhaps, the hundredth part of the la- "bourers that are employed by country gentle- "men in England, who have always some work "of ornamental gardening or farming going on, "which gives bread to many people;"* and shall Englishmen be told in the present day, that whether these gentlemen proprietors reside upon their estates in England, or lounge in the theatres and ball rooms of Italy, is a matter of indifference?

It has been assumed by modern economists, that as stock is produced solely by labour, it can be considered as nothing but invested labour; and that, consequently, the profits derived from its employment, can be nothing but the wages of invested labour.† That stock is originally produced

* Young's Travels in France, vol. i. p. 416.

† Lord Lauderdale says, the profits of capital arise from distributing labour, and are paid out of the fund destined for the payment of the labour employed. But that they are not regulated by the quantity or value of the labour employed, but by the number of purchasers who want the article produced, and who have no other means

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by labour, Cicero told his friends in Rome more than eighteen hundred years ago, though, happily for their *time* and *attention*, he did not proceed to form a theory of *profits* and *wages* upon it. "Jam "vero et earum rerum quibus abundaremus ex- "portatio, et earum quibus egerimus invectio, "certe nulla esset, nisi his muneribus homines "fungerentur; eadem ratione nec lapides è terrâ "exciderentur ad usum nostrum necessarii; nec "ferrum, æs, aurum, argentum effoderentur pe- "nitus abdita, sine hominum labore et manu."* Again, "at deductus aquarum, derivationes flumi- "num, agrorum irrigationes, moles appositas "fluctibus, portus manufactos, quæso, unde sive "hominum opera habere possemus? ex quibus "multis que aliis perspicuum est, qui fructus, "quæque utilitates ex rebus iis, quæ sunt ina- "nimæ percipiantur, eas nos nullo modo sine ho- "minum manu atque opera capere potuisse."

Man is, no doubt, with the mental and physical powers which he derives from his Creator, and acquires by practice and instruction, the great instrument from which the powers and efficiency of most other instruments of production, preparation, and distribution are derived; and as far as the price or exchangeable value of the material enjoyments produced, prepared, and distributed, is composed of the profits or returns for the employment of these instruments, so far may it be con-

* Cicero, de Officiis, lib. ii.

173, 283 Public wealth — All the means that the agency [illegible] supplies the place of the agency of labour, and the profits of that agency would have been the wages of the labour had it taken place not have supplied but that the amount of these profits are not equal to what the wages of the labour which supplies should have supplied would have been

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sidered to consist of the wages of invested labour. So far as this exchangeable value is composed of the wages paid for the powers of man, employed in providing the materials used, as well as in forming the instruments by which they are prepared for our use, and distributed in their different stages, may it be considered to consist of the wages of invested labour. But neither that portion of price or exchangeable value which is derived from the rents, paid to the proprietors or monopolists either of the funds from which our enjoyments are derived, or of the natural agents which aid in their production, preparation or distribution — nor that portion which is derived from the extra profits of monopolies, and exclusive privileges of every kind and degree; nor that portion which is derived from taxes paid upon the funds and instruments employed — upon the materials of our enjoyments, or upon the enjoyments themselves in the different stages of their progress, can be supposed to be derived from the wages of invested labour.

That a *great part* of the price or exchangeable value of every material enjoyment, and by far the *greater part* of that of many in England, is so composed, is sufficiently manifest; and therefore a whole system of political economy, like that of Mr. Ricardo, or particular conclusions, like those of M. Say, founded upon the assumption, that price or exchangeable value is composed exclusively of the

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wages of immediate labour, and the wages of labour invested in stock, or even of these and rent, must necessarily be altogether unsound, when applied to England, or to any other nation advanced beyond the primitive state of barbarism.

In the following few propositions, which I offer, not for the instruction but for the consideration of the reader, without any view at present to assume the conclusions drawn, as premises to future conclusions, I have endeavoured to separate the portion of price or exchangeable value due to the wages of vested labour, or stock, from that due to appropriation, monopoly, taxes, &c. &c.; and when we can separate them in our ideas and our terms, we shall, probably, come to conclusions much more satisfactory to ourselves, and much more applicable to practical purposes. These propositions, which I offer with some degree of diffidence, will, I hope, be found useful in all general reasoning upon the subject of the instruments of production, preparation, and distribution.

1. *Permanently*, things of the same exchangeable value in relation to each other, or to any given thing, may be considered to have had the same costs incurred upon them.
2. Things of the same price or exchangeable value (as far as that value depends upon the wages of labour) may be considered to have, at the same time and place, the same quantity of

one form a machine whose power or use may be equal to the power of a thousand men.

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labour invested in them. One thing may have the labour of ten men for one year, another that of one man for ten years.*

3. Of two machines of the same exchangeable value, the annual returns or produce of one will be of less exchangeable value than those of the other (as far as that value depends upon the wages of labour), in proportion as the powers and properties we require from it are of greater duration.
4. The relative exchangeable value of two machines, whose annual returns are of equal exchangeable value (as far as that value depends upon the wages of labour), will be in proportion to the duration of the powers and properties required from them.
5. Two instruments, whose exchangeable value is the same, and whose properties and powers are of the same duration, will produce annual returns of the same exchangeable value, as far as that value depends upon the wages of labour.
6. Things of the same kind and quality will, at the same time and place, be of the same exchangeable value in relation to each other, and in relation to any given thing.

* Colonel Torrens supposes, that in one stage of society the whole quantity of labour, both vested and uninvested, regulates the value in exchange; but in another, that part only which is invested, that is, capital. This arises merely from his including wages in the term *capital*, in one stage, and excluding them from the term in another.—See Production of Wealth, chap. i. pp. 1—40.

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With the five first propositions I have little at present to do; they are involved in the works of others, and it may be useful to have them clearly exhibited for reference; but upon the sixth proposition I shall offer some observations, that may lead to conclusions of the first importance to a nation like England, and I beg the reader's careful attention to them. At the seat of the supply the actual price must be always gravitating to the "central point, or natural price," that is, the rate of costs incurred upon them; so also at the seat of the demand. But these costs may diminish in one without diminishing in the other, or without diminishing in the same degree. If they diminish in the seat of the demand, without diminishing in the seat of the supply, the market for the distant supply ceases; because it is supplied by domestic instruments, and the instruments of the distant seat of the supply are thrown out of employment. † If these costs diminish in the seat of the supply without diminishing in the seat of the demand, the instruments employed previously at the seat of the demand are thrown out of employment in that branch of industry.* They may diminish in any one of their component parts, in a reduction in taxes, monopolies, rents, wages, or profits; * or by an in-

* Colonel Torrens says, that the profits of stock form no part of the *natural price*, because they form no part of the costs; but they form a part of the market price, because they are paid out of it. p. 51, 56, On the Production of Wealth. "In my term of 'natural price' they are included; but in my term 'market price,' they are or are not, just as this market price is or is not sufficient to pay them."

† In England for instance, the demand for East India Cotton manufactures ceased

* as the consumers dispensed of India by the improved efficiency of the machinery and spinning

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creased power of efficiency in the instruments, or an increased fertility in the funds.

Any reduction in the costs at the seat of the supply must, by the free competition of industry and enterprise, effect a reduction in the same proportion, or nearly the same proportion, in the seat of the demand; because the actual price will always be gravitating to the natural price in both; and the natural price is that which is neither more nor less than sufficient to pay the costs incurred, giving the average, and ordinary rate of rents, profits and wages at the same time and place. If we can now supply to any seat of demand in a distant nation, any particular article of the same quantity and quality as the people of that seat provided with the labour of one thousand men, we shall be able to get the value of the wages of one thousand men for it, over and above the value of the other component parts of the costs in that seat. But if by degrees it cost us less to supply it, competition among ourselves, the suppliers, will reduce the price through the medium of increased supply. The domestic instruments of supply in that seat will be thrown out of employment by degrees, as the foreign supply augments; and if we can in time supply the same quantity with the labour of only ten men, instead of one thousand, we shall in time get in return only the value of the wages of ten men in the seat

of the demand, over and above that of the other component parts of the costs

If we could supply all the rest of the world with cotton cloth by the labour of ten men, and no other costs were incurred but the wages of their labour, all the rest of the world would in time give us only the value of the wages of ten men in exchange; because the competition among our own instruments of supply would reduce the price to that rate. The consumers might not be able to produce the same quantity of cloth of the same quality, by the labour of ten millions of men; and if they could not get it for less, might be willing to give the value of the wages of ten millions of men in exchange for ours. But it is not their abilities, but ours, that regulate the price they shall pay; and that price we reduce through the medium of increased supply. The actual price in every market is always, as I have already stated, the highest that can be got in the existing state of the demand for the supply actually in the market; and it rises or falls through the medium of an alteration in the one or the other.

If we suppose that part of the produce of the industry of a nation which it exports, to be a part of its consumption, and that portion of the industry of other nations which the former receives in exchange and imports, to be a part of its production, we should necessarily conclude, that in proportion as the powers of efficiency in our in-

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struments increased, our consumption in exports must augment, without any corresponding increase in our production in imports; and that, if the powers of these instruments were exclusively applied to the production of things for export, foreign nations alone would benefit by their improvement. Is there or is there not any thing in this reasoning applicable to the state of England? Has not the amount of her returns from other countries become less and less in proportion to what she gives, as the efficiency of her instruments has augmented, notwithstanding the immense increase that has been made to that component part of the costs of her produce which consists in taxes? Had not those taxes been imposed, would not the nation receive from other nations so much less? Were all those taxes taken off, would not competition among ourselves reduce the price of this produce to other nations in the same proportion?

As the efficiency of our instruments increases, the costs, in as far as they consist in the wages of instruments, rational, brute, or inanimate, diminish; and competition among ourselves is always tending to reduce the price of what we supply to the same extent in foreign markets. They might be able to afford, and might be very willing to give more, but we should not permit them—we should woo, and they would retire. "Our love would "be unto them, and they would reign over us." But the Government comes in, and increases one

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component part of the costs, as another diminishes, and though we do not get as much as we might, we get more than we should in return. This something more the Government distributes; and if it does not distribute it for the general benefit of the people, in the support of useful establishments and institutions, it does not discharge its duty. But the instruments employed do not get the less because the Government takes this part; they would not get more than they do if the Government took none; the nation gets more; and by that more the nation is benefited, unless we suppose an almost impossible case, that Government, like an Irish absentee, consumes the whole to no useful purpose.†

If there be any truth in this reasoning, that truth is of importance to a manufacturing and commercial nation, the powers of whose instruments are so much applied to the production, preparation, and distribution of commodities for foreign markets. Bounties upon the export of domestic produce must of course have an opposite effect; and instead of giving the nation more of the produce of other countries than it would receive, they give gratuitously to foreign nations a portion of that produce which they would not otherwise receive. They are, no doubt, sometimes useful and necessary, to encourage particular branches of domestic industry, and to create particular kinds of national stock, as well intellec-

† See Statistics of the British Empire Preface P. xix. tables P. 65–6 and 86–Official value means the fixed value assigned to goods in 1696 and ever since presumed– The term may therefore be considered as implying quantity by P. 57 the tables exhibit a gradually increasing excess

tual as material; and by their aid, Louis the Fourteenth created a navy for France.

The progressively improving powers of our inanimate instruments in manufactures, reduce one great component part of the costs, that which consists in the wages of vested and uninvested labour. It reduces that component part so much, that the produce of different branches of our national manufactures, after paying more taxes in the different stages of its progress, and after paying a greater freight than produce of the same kind from any other nation, may come into competition with that foreign produce, and supersede it in the most distant regions of the earth; nay, in the very seats where similar commodities are produced, prepared and distributed for enjoyment, without being burthened either with taxes or freight. Such seats or markets find, that notwithstanding the accumulation of taxes and freight upon British produce, the competition in the supply among British merchants and manufacturers is continually reducing the price and superseding the employment of their domestic instruments, in the preparation of similar commodities: that they are continually giving less and less of the produce of their domestic industry for the same thing, or receiving more and more of our produce for the same portion of theirs. England must, therefore, notwithstanding the increasing amount of taxes imposed, directly or indirectly,

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upon such commodities, in the different stages of their progress, levied and distributed in the support of the public establishments and institutions of the nation, be continually receiving less and less collectively of the produce of the industry of other nations, in proportion to what she sends to them of her own; and if the amount of taxes were reduced, the nation would receive collectively that proportion less than she does now, compared to what she gave. It matters little whether the taxes be imposed upon the produce of her own industry given, or upon that of the industry of other nations received in exchange; it makes the foreign nations give more of the produce of their industry, in exchange for that of ours, than they would otherwise give.

But, if the powers of the instruments employed in other nations in the same branches of industry were as efficient to the same end as our own, the people of these nations would not pay these increasing taxes, by which England is enabled to support its public establishments and institutions. As the powers of their domestic instruments increased, the costs of their domestic supply in that branch would diminish; and they would give less and less of the produce of those branches of industry in which the powers of instruments had not increased, for the produce of that in which they had; consequently they would give less and less for the produce of the same branch of in-

It is the cost of providing the machine and working it that must regulate ultimately the price of the things produced by it agency. One man in a year may make a machine whose agency in a year would be equal to that of a thousand men. [illegible] to Page

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dustry sent by us. We do not take in return from them the produce of the same branch of industry, but that of others; and our returns would continually diminish in the same proportion as the returns to domestic produce of the same kind diminished in these nations. The efficiency of their instruments and ours remaining relatively the same, any augmentation of the other component parts of costs in taxes, freight, &c. &c. would, of necessity, tend to circumscribe the demand; and with the demand, the employment for instruments in that branch of industry must necessarily diminish.

As the powers of instruments employed in other nations improve in their efficiency, unless ours make a corresponding advance, and thus retain their superiority the produce of our industry must yield less and less revenue to Government for distribution to public establishments; and we must feel more and more the pressure of our public debt. At present it can hardly be said to be felt at all—the efficiency of the instruments employed enabling us to maintain an immense proportion in idleness; but in time we must reduce our national debt and church establishments, and simplify our code of laws.* If there be any truth in this reasoning, and I offer it, as I have already stated, not dogmatically for my

* To this great work the talents and abilities of Mr. Peel and Mr. Huskisson have already been applied; and every lover of his country must hope that they will be successful.

If the encouragement to the manufacture of cloth were to become an object to India as in England would it be better for English cloth or not to be at all

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reader's instruction, but with deference, for his consideration,) can it be of advantage to England to export her instruments of production for the use and instruction of other nations? Does she not give to these nations in one year what she has taken, and they may take, ages to acquire? and does she not thereby gratuitously volunteer the reduction of these establishments, which the superior powers of these instruments have contributed so much to maintain?

The man who has discovered the means of giving superior efficiency to any particular instrument, whether of production, preparation, or distribution, and can keep these means a secret, reduces to himself the costs of supply; but he does not reduce to the same extent the price of that instrument or the price of the produce it supplies. He gets the same or nearly the same quantity of the produce of other men's industry; and from the saving in the costs of production, he increases his private establishments and comforts. So it is with a nation — it reduces, by the improved efficiency of its instruments, the costs of production; and not diminishing to the same extent the price of that produce in distant markets, it derives, in taxes, the means of maintaining increased public establishments, in armies, navies, priests, public creditors, lawyers, &c. When the individual can no longer keep the secret of his discovery, or the period of his patent expires, he is reduced

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to a level with others in the same branch of industry. His private establishments must be reduced in proportion; and when England loses the superiority which her genius and enterprise have given her in the efficiency of her instruments, must not her public establishments be reduced in proportion?

Of all the instruments of production formed from the material and intellectual stock of a society, perhaps the canals and aqueducts made for irrigation are the most important, and the most worthy the attention of the Government of a great nation. By such works the returns of lands that might otherwise have been in tillage are greatly augmented; while those which, without their assistance, might have remained a steril waste, are brought into cultivation, and made to yield their returns to the general supply. They impart nourishment to the soil, as well as facilitate the operation of that nourishment afforded by manure, and they develop those natural powers which might never otherwise have been available. The Government of a great nation could find no objects more worthy than these of public expenditure, because none contributes more to the general good of society; nor could it find more legitimate mediums through which to make the subjects contribute their portions to the general burthen of the state in taxes. They either increase the rents of the landlords, or they benefit con-

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sumers in general by a diminution of price, or both; and a tax upon their use, while it refunded the expense incurred in the formation and maintenance, would absorb only a small portion of what they gave to the one or saved to the other.

We are told by an excellent historian,* that the Romans were above all people disposed to adopt what they found useful among the people of other nations; and they never borrowed an art of greater or more general utility than that of forming works for irrigation, which they derived from the Persians and Egyptians. "Quid ego irriga-"tiones, quid fossiones agri, repastiones que pro-"feram, quibus sit multo terra fœcundior."† But in the ages of darkness and anarchy which followed the downfal of that great empire, this useful art was neglected and forgotten in every nation of Europe but Spain and Italy. In Spain it was revived by the Moors; and in Italy, it was reintroduced by the Goths in the beginning of the sixth century, when Theodoric paid an African to teach it to the people of Lombardy.‡ The great works formed by the Romans for irrigation in almost every country subject to their dominion, were left to decay and have disappeared; and with the solitary exception of Italy, the art of forming them has been neglected in modern times from the ma-

* Polybius, General History, b. vi. † Cicero de Senectute.

‡ See Professor Symonds on the effects of water on the agriculture of Italy; and Arthur Young's Travels.

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nufacturing and commercial spirit of the Christian world, and from the ignorance and misrule of the Mahommedan.

The civilized nations of Christian Europe will, perhaps, at some future time devote their spirit, industry, and knowledge, less exclusively to manufactures and commerce — those branches which have tended so much to involve the world in war and blood, and to excite hatred between families, towns and nations. They will perhaps revive this useful and too long neglected art, and spread over the bosom of the country those great works, which in the civilized nations of the ancient world converted barren and cheerless wastes into scenes of rich and animated fertility, and peopled deserts which man dares not now approach. We are told by Polybius, that the size of the Euphrates began to diminish on its entering the boundaries of Persia, from the numerous canals formed for irrigation along its banks; and that the great parent stream disappeared altogether before it could reach the opposite boundary. It now flows undiminished through a depopulated wilderness.* If it be too much to hope that the waters of the Nile, the Euphrates, the Oxus, and Jaxartes, will ever again be made to fertilize the lands of Egypt and Persia, and again people with busy multitudes flourishing cities in those inhospitable

* General History, b. ix.

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wastes, where man now "seeks a reputation in the *Lion's* mouth," it is not surely too much to hope, that the rivers of England, Ireland, France, Spain, and India, may be made sources of wealth and strength to these countries, and of honest employment and happiness to the people.*

Such works double, treble, or quadruple the annual returns from the land; and, *cæteris paribus*, increase the net produce in a still greater proportion—this increase of net produce going either to the individual proprietors of the works, to the proprietors of the land, to the Government, to the consumers of produce in general, or to all. In Italy and Spain the value of land is often more than quadrupled by irrigation;† and it is to be hoped, that a few of those rational instruments of Spain, which the possession of South America caged in convents and nunneries, will now have their mental and physical powers applied to such useful works. It is too, to be hoped, that our legislature will remove those causes, whatever they be, which render the residence of Irish proprietors upon their estates unsafe; and induce them to expend their revenues

* Query—will it one day be thought possible to make the Andes send down any of its streams upon the west coast of South America? Nine-tenths of the land between this chain of mountains and the sea on that coast, must be for ever waste without such streams, however rich in natural powers.

† Young's Travels in France and Italy. p. 159. 167. 177, 178, 179, 282, 283. 324. to 327. In Persia and in India lands well supplied with water pay six times the rent derived from those of the same kind at the same place which are not so supplied.

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in employing the generous sons of Erin in purposes equally useful.

Great works for irrigation are formed, 1st, by Government out of means levied from the people in taxes: 2nd, by individuals out of their private means employed without a view to a return in profits: and, 3rd, by individual, or joint stock companies, out of their means employed with a view to a return in profits, that is, as *capital*. If the Government forms these works with a view to a return in profit; or not having formed them with that view, afterwards converts them into a source of profit, the means or revenue employed upon them is employed as capital; and the profits or returns to that capital are derived through the medium of a tax or duty imposed for the use. But the advantages of such works, even on their most extended scale, are limited to only a certain portion of a great nation, or they operate more to the advantage of one portion than to that of the rest; and if the means of forming them are levied from the people in general, it is just that those who enjoy exclusively the advantages, should be made to refund with interest the means employed. But it is just and expedient that the means of forming great works of this kind, when formed by Government, should be levied from the people in general; because, though they operate exclusively to the advantage of one particular part of the country, they do not operate to

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its advantage immediately. The advantages of some great works of this kind do not begin to be felt in any considerable degree for one, two, or three generations; and if the means of forming them were levied exclusively from the people of that particular part to whose advantage they are ultimately to operate, these might be compelled to pay for advantages which neither they nor their posterity could ever enjoy. Neither they nor their posterity may enjoy any of the advantages ultimately to be derived from the works; nor can they as members of the society in general share, in proportion to what they pay, in the capital and interest refunded through the medium of the tax. The Government cannot pay back the capital and interest to those from whom they levied the means—the tax will either be appropriated for the benefit of that particular class from which they and their posterity may have disappeared, or for the benefit of the nation in general. They may share as members of the society in general; but they have paid as members of a part of society in a much greater proportion. To levy the means of forming these great works exclusively from the people of that particular part to whose advantage they are ultimately to operate, would be to tax one generation for the benefit of another, or to tax the people of one particular part for the benefit of the whole—the advantages would be enjoyed by a future generation, or the tax by the society in general. It

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may be said, that, to levy the means from the people in general, would be to tax them for the benefit of a particular part, or for the benefit of a future generation; and this is true; but the people in general would feel the burthen infinitely less, or not feel it at all. It is just and expedient, that Governments should levy the means of forming such great and useful works from the people in general, and refund to the people in general with interest, through the medium of a tax, the means so employed. This, under a judicious administration, would be merely taking a loan from the collective body of the people for the benefit and advantage of a particular part.

Where these works are formed, as in the third case, out of the means of individuals employed with a view to a return in profits, the principal and interest are repaid through the medium of a duty, which they are permitted to impose upon the use of them. Those who have formed such works out of their own means have, no doubt, secured a just claim upon those who require to avail themselves of their use; but what they exact may be, and, unquestionably often is, much more than sufficient to repay the principal laid out, with a just interest; and Governments would best consult their own dignity, as well as the interests and happiness of their people, by forming them out of public revenue. It is unbecoming the dignity of a great nation, to see the population of its

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great and magnificent capital quarrelling with a few greedy monopolists of paltry canals, about the price and quality of their water.

Where these great works are formed, as in the second case, out of the means of individuals employed, without a view to a return in profits, that is, as revenue, no principal is required to be refunded, nor interest to be paid. The means of an individual have been employed gratuitously for the benefit of the people of a particular part of the country, where he wishes his name to be associated with grateful recollections; and no pecuniary claim has been secured upon those who may require to avail themselves of the use of his work. This work is without exchangeable value; and that it shall remain without exchangeable value, is essential to the motive of him by whom it is formed. If wealth consists in exchangeable value alone, such a work, however useful to the nation, can form no part of its wealth; and according to the economical schools of Europe, the mental and physical powers of all the men occupied in forming and repairing such a work, and all the means expended in it, would be *unproductively employed;* simply because these means were not employed with a view to a *return in profit*, that is, *as capital!* Let the proprietor put a tax or duty upon his work, and though the utility would remain the same, the work would be vested with exchangeable value, would become a part of the nation's

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wealth; all the means employed, and to be employed upon it would become capital; and all the mental and physical powers occupied, and to be occupied upon it, would be and would have been *productively* employed.

To those whose sphere of observation has not extended beyond the more advanced societies of Europe, where commerce, manufactures, public debts, religious orders, judicial establishments, armies, navies, colleges, schools, &c. &c. fill up the vast space between the prince and the peasant, by imperceptible gradations of ascent, the formation of such works out of the means of individuals employed *without* a view to profit, may appear the most useful mode. It is so, perhaps, in such societies; and, might unquestionably be found an extremely useful mode of forming them in Ireland, where great proprietors and church men have such enormous means at their disposal, means now squandered in idle pleasures, and in distant countries, but which might employ millions in works useful and ornamental to their own. But in the very early stages of society, and in those societies whose advance is retarded by religious prejudices and institutions, this is not the best mode of forming them. In such states of society, where industry is almost confined to agriculture, and the material enjoyments of man are almost limited to the simple necessaries of life, the great mass of the people is left in a state of

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helpless dependance upon the sovereign and the great land-proprietors; and while, in such a society, these great and useful works are formed out of the means of individuals employed without a view to profit, they can never, however great and numerous, give to individuals an independent claim upon the annual returns of the country: they can only augment the net revenue derived by the Government or the land-proprietors.† They cannot, therefore, tend to the formation of a middle class, which such a society must stand so much in need of. If such works were formed out of means employed with a view to a return in profits, the proprietors would have the privilege of imposing a duty for the use; and that privilege it would be necessary to secure by laws, or they would cease to be formed. Such privileges secured by laws, well administered would give to the society a number of respectable families, possessing an independent claim upon a portion of the annual returns, and leisure to cultivate their mental powers for the benefit of the whole. It would at the same time give a motive for the maintenance and repair of such works; and I may venture to say, that the artificial reservoirs of India available for purposes of irrigation, might have been, and may still be, made an admirable means of forming a middle class. Where such works are formed without a view to profit, no independent claim upon the annual returns of the society is secured by the

† It would have been, under a despotic government an insecure species of property – it could neither be inherited nor concealed when no longer secure; and when completely yielding its agency and profit to the necessity of but little aid from man, was a ways

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means employed; and if, as is sometimes the case in India, the individual, to secure a seat in heaven, or a reputation on earth, employs all his means in their formation, he, his family, and posterity, are thrown back upon the great mass of those, who have nothing but their physical and mental powers to depend upon for subsistence. Such a mode of employing individual means, therefore, in an early stage of society commonly tends too much to augment the great mass of idle retainers, and still more idle priests. A society of this kind having little of arts, trades, manufactures, and commerce, to form a middle class, it would be of advantage that individuals should employ their means upon these works with a view to a return in profits, in order to keep them and their families in that class, by means of the revenue to be derived from them. Under a despotic Government, and in a widely extended empire like that of India, the feeling of security in property must always have been too feeble to supply a sufficient motive for their formation with this view; and as men would not form them with a view to *pecuniary* profit, they were wisely enjoined to form them with a view to *religious* profit. It should be our policy to prevent their decay, and encourage their formation; and we may by and bye, by a better system of administration, make them tend to the formation of a middle class, interested in the stability and welfare of our Government.

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Perhaps the legislature could hardly confer a greater blessing upon Ireland, than the formation of a few such great works, out of means levied from Absentees, in a tax upon their incomes; and the revenues arising from them might be given to small communities, or deserving Irish families, on condition of their keeping them in a state of efficiency. In the same manner, when the great canal of Languedoc was finished, the revenues of it were assigned to the family of the celebrated engineer, Riquet, who planned, and superintended the execution of the work under Louis the Fourteenth.* This would tend to relieve the great mass of the people of the distracted country I have mentioned, from their prostrate state of dependence upon priests, middle men, land proprietors, and lawyers.

Where such works are as numerous as they are in most parts of India, and formed with a view to pecuniary profits as in Italy, they create almost of themselves a middle class of independent families; and a country with a middle class so formed or partly so formed, might be adorned with towns and cities, improved by arts, and enlightened by science, with but little aid from the commerce and manufactures, *the power looms* and *steam engines*, to which the schools of Europe attribute the exclusive power of civilizing and unbrutifying mankind. When Arthur Young saw this happy state

* Wealth of Nations, b. v. vol. iii. chap. i. p. 97.

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of society in Italy, where people enjoyed the mental and physical powers of men and women in theatres, and concerts, instead of ships and manufactories, work-houses and dungeons—it seemed to him a phenomenon altogether inexplicable upon the principles of these schools. Here were towns, cities, and a happy form of highly civilized society, which invited absentees from all quarters of the world, and sent them into none, deriving scarcely any aid from manufactures or commerce, almost without a steam-engine or a ship? The thing was no doubt *demonstratively impossible*, and yet very *sensibly true;* and no less sensibly agreeable to a man of taste, and good feeling.* When Irish absentees learn to spend their incomes at home like Italian proprietors, when the same great and useful works are formed in Ireland, and give an independent claim upon the annual returns, that country, like Italy, may, with little aid from ships and steam-engines, invite the world to its enjoyments in theatres and concerts. Its soil is more fertile in natural powers — its climate superior, its men surely not inferior, and its religion cannot be worse. If our laws are not so good, we should mend them; unless we prefer keeping the men of Ireland like our foxes, to afford

* See Travels in France and Italy, vol. i. p. 158. 210—219, and p. 332. 333. and vol. ii. p. 160. 172. 282. 283. second edition, London, 1794. Though the truth of existing theories was disproved by actual fact, he did not attempt to explain the phenomena by a new theory of his own; and though he saw the cause, Arthur Young saw it obscurely.

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an occasional day's amusement to some of our sporting gentlemen of the sword.

Among the instruments of production I have considered canals, aqueducts, and reservoirs for irrigation as the most important after man himself; and the most important after man himself, among the instruments of distribution, I conceive to be canals formed for navigation, in a country which has an extensive and fertile soil. Ships have been of more importance to nations and states that have risen to wealth and power without such a soil — such as Tyre, Carthage, Rhodes, Genoa, Venice, Pisa, Holland, &c. &c; but their wealth and greatness were always precarious, because they depended upon employment for their maritime instruments of distribution, and that employment was itself precarious. The wealth and greatness which depend upon an extensive and fertile soil, upon canals and aqueducts for irrigation and navigation, and upon the enjoyments which can be provided by domestic instruments employed at home, are or ought to be more secure and permanent, though for a time they may be less splendid and flattering.

Where these works are formed, as they always ought to be formed when upon an extensive or general scale by the Government, it is proper that they should be formed out of means levied from the people in general, but to be refunded with interest through the medium of a duty by those who

require to avail themselves of their use. So to levy the means will be to borrow from the people in general for the early benefit of a particular part, and the ultimate benefit of society in general; and society will derive an immediate benefit in the honest employment of those who have nothing but their employment to depend upon.

Louis XIV. by levying the means of forming such great works exclusively from the people of the parts in which they were formed, and by imposing the greater portion of the burthen upon the families and classes whose posterity was the least likely ever to reap any advantage from them, having no possessions but in their mental and physical powers,* desolated whole provinces which he intended to enrich; and left splendid roads and magnificent canals passing through countries made waste and desolate by their formation. If such works could be made to yield their advantages by slow degrees as they are formed, it might be equitable and expedient to levy the means locally in a duty for their use; because those who contributed would be those only who availed themselves of their advantages; but this can seldom be the case in a great road, and never in a great canal for navigation. That the expense of repairing and maintaining all such works should, as Doctor Smith says,† be defrayed

* They were formed chiefly by Corvées.

† Wealth of Nations, vol. iii. b. v. l. i. p. 95.

by a local tax, cannot be doubted, because the advantages have then begun to operate, and the tax is no more than the charge for their use; but a tax for the repair is a very different thing from the tax for their formation. Quays in sea-port towns and on navigable rivers are either useful instruments of distribution, or convenient and ornamental works; and among the people of India there was always an efficient motive for their formation out of means employed as revenue without a view to a return in profits, in the hope of propitiating the Deity, and of securing the grateful recollection of society. But, as in the case of other useful and ornamental works formed among this people, there was no sufficient motive to repair and maintain them out of means employed in the same manner; and no one dared to employ his means upon them with a view to profit, as this would have been encroaching upon the rights of the public purchased for them by the Deity from the first constructor. The son from a feeling of gratitude and filial piety might repair a great work on which his father's name depended; but this feeling would not descend with sufficient strength to many generations; and his posterity would be found more disposed to purchase seats for themselves in Heaven, by the formation of new works, than to secure those of others by the repair of old ones. If they are useful, it is the duty of Government to repair them; and as their merit depends

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upon their utility, they are almost always useful; but till the administration of the Marquess of Hastings, and the *too short* interval of that of Mr. Adam, this duty never seems to have been felt or understood by our Government in India.* Intent upon augmenting its net surplus revenue, without seeing, or for a moment considering, the sources from which it was expected to flow, Government never dreamed of incurring any expense for so useful a purpose. True to the economical systems of Europe, they concluded, that while such an expenditure must reduce the amount of their net surplus revenue, it could be of no possible advantage to the people, because it would not be *capital*, employed with a view to a pecuniary return of profit. They left these works to be repaired by *capital*, whenever the Deity might be pleased to send it; but as this Deity had been accustomed to purchase the benefits of these works for his people *by seats in Heaven*, and not by *profits on earth*, the capital never came; and the works remained unrepaired, no doubt to our great wonder and astonishment.

The administration of the Marquess of Hastings and Mr. Adam in Bengal, and of Mr. Elphinstone at Bombay, forms quite a new æra in our Eastern

* Mr. Elphinstone's Government at Bombay has been of the same character, and forms a new æra in that part of our Eastern empire; Sir J. Barns' administration of Ceylon another; and these great examples, it is to be hoped, will be followed.

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rule. These great men presumed to believe and act upon the belief, that great and useful works for the advantage of the country and the people, can be, and ought to be, formed and maintained out of the means which Government levies from the country and the people. The Government at home may for a time resist the truth of this conclusion and just principle of action; and the follies of the schools, and the prejudices of Englishmen educated in the midst of them, may be opposed to it—but its progress will be inevitable. Such an improvement in our system may, it is true, be too long deferred — we may continue too long to leave the great and useful works with which we found the country benefited and adorned, go neglected to decay; but our posterity will see our folly, and act upon different principles. "Who-"ever can transform the most consumable com-"modities of a country into the most durable and "most beneficial works makes a high improve-"ment. If meat and drink, which are of all things "the most consumable, can be turned into har-"bours, high roads, canals, and public buildings, "is not the improvement inexpressible? This "is in the power of every statesman to accomplish "who has subsistence at his disposal."* Yet how long have we had at our disposal the subsistence of twenty millions of souls, not only without being able to form such useful works ourselves,

* Sir James Steuart, b. ii. chap. xxx.

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but without being able to repair and maintain them when formed by others. Never in any nation under Heaven has there been so much in the power of enlightened statesmen to do; and never, perhaps, in any nation under Heaven, have enlightened statesmen done less.!

Men who have nothing but their mental and physical powers to depend upon for their subsistence, will necessarily be most attached to that Government, which gives them most employment. In India at present nine men in ten, or perhaps ninety-nine in a hundred, have nothing but these powers to depend upon; and it is unhappily the necessary effect of our system, to diminish the employment for these powers wherever our rule extends. Those who have nothing else to depend upon cannot surely be supposed to be much attached to a Government that refuses to employ their mental and physical powers in honest and useful purposes, and drives them to robbery, beggary, or starvation. The policy of enlightened statesmen, in such a state of society, even supposing that they were so selfish as to disregard altogether the happiness and welfare of the people governed, would be to form out of this great mass, a middle class of families that should feel a deep interest in the stability of their dominion, by the creation of property depending entirely for its security upon that stability. The great and useful works encouraged under native Governments,

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though they were not valuable in exchange, and yielded no returns of pecuniary profit to those by whom they were formed, were always valuable in esteem; and always yielded a return to them in the feeling of assurance that they had secured the gratitude and respect of society, and the approbation of the Deity. People revered the Governments that maintained and repaired these great and useful works for their benefit, and caused the title of those by whom they were formed, and that of their posterity to be respected. Though people were not attached to their Government by views of pecuniary interest in the works it protected, they were attached to it, through their means, by some of the strongest feelings of the human heart. We have severed this link which united the Government to the people; and, having provided no other, we have ignorantly or wantonly brought on a separation. It is urged by some well-informed men, that we are forming a very useful link in *our Indian public debt;* and however paradoxical this may seem, it is no doubt true to a certain extent. In the absence of all better links, this has its advantages; but unfortunately the advantages of this link are very local and very confined, while its disadvantages are very general.

This debt gives a feeling of pecuniary interest in the stability of our Government to certain numbers of individuals situated in a certain part of our

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dominions; but it at the same time gives to all the people in every other part of our dominions a feeling of interest proportionably strong in its downfal. Where is the interest of that great debt to come from, but the net surplus revenue, which we exact in rackrents from the districts of the interior to have consumed about the capital of India or sent to Europe. What was it that made the old Government of France so intolerable to the people? not the vices or the tyranny of the sovereign, for he was an amiable prince — not the Bastile, for few of the people had the privilege of a seat in it — but it was the burthen which the overgrown city of Paris had become to all the distant provinces, drawing all their resources in the services of men and the produce of their industry, as tribute in public taxes and private incomes, and leaving them in nakedness and misery, without private property to give them a feeling of interest in the stability of the government, and without a public work either ornamental, agreeable, or useful to them, to give them a feeling of respect or reverence for it. But how many of the middle and higher ranks of that great city felt a deep interest, as far as rank and property could give it, in the stability of the Government; and yet Paris, instead of defending it, kindled the flame in which it was consumed. In the late struggle, when our very existence in India was supposed to have been threatened, [illegible] any one see

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much anxiety for our success manifested in Calcutta, even among our native public creditors?

But even supposing that the native contributors to our loans should feel a pecuniary interest in the stability of our Government, how little would that feeling avail us in any great struggle for our dominion, when millions of brave men, to whom we have offered the hard alternative of robbery, beggery, or starvation, are flocking round the standards of the invaders in the North and West, with all the real resources of the country at their disposal. They will not require to purchase what they can take freely; and without the necessity to purchase, they will not require loans. We may place our armies, navies, and other public establishments at the command of paper holders and bankers —it seems an evil inherent in our constitution; but the time may come when they will have it in their power to retard the movements and destroy the efficiency of our own armies, without being able to offer any impediment to those of the enemy. As tending to form a middle class in society by the creation of property even in paper, the debt has its advantages, but these advantages are local and confined; and while they are so confined, it must be found a great evil to all the other parts of the country from which the interest must flow in a perpetual stream of tribute.* I should be glad to see a public

* I know I shall be told of the fate of Charles the Ninth and Louis the Sixteenth by their Indian debtors of the most sub-

debt contracted in every district of India, provided I could feel assured, that the amount of the loan would be spent in the formation of works useful to the people, and that the interest of the debt should be permanently enjoyed by people residing in these districts. This would be employing their means mediately through the Government, in the formation of great and useful works; and returning to these through the same medium the means laid out, with a profit, by a duty for the use of the works. But when we see enormous loans contracted and a stream of tribute perpetually flowing, and continually increasing, for the payment of the interest, without one vestige of a great and useful work formed out of the means taken, who can feel that assurance?*

Every statesman must see, or ought to see, the necessity of a middle class in society, interested in the stability of Government; and every statesman has the power to form one, when he has the resources of a whole country at his disposal. We abhor the character of Henry I. of England, as a brother, but as a sovereign we must recognize in

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[illegible] general good of our foreign in the country. I [illegible] opinion and feeling upon all subjects connected with the commercial interests of India, where [illegible] they were known; and should be disposed to agree with him in [illegible] this resolution. But I [illegible] payment [illegible] duty, [illegible] to the country [illegible] be done. But of this hereafter.

* This stream of tribute will be considered hereafter. England is ignorant of what she has derived, is deriving, and may derive from India.

him the first enlightened statesman that ever filled the English throne.† When he seized the treasure and assumed the throne, on the sudden death of his brother Rufus, his elder brother and rightful sovereign, Robert, was absent in the holy wars. Henry knew that he was the most popular soldier in Europe, and leading armies in the most popular cause, while the great mass of the people were without property, and seeking employment for their courage and their swords in the service of every bold adventurer. He saw that, without an immediate change in the system of society, his brother's standard displayed in any corner of England would cause his usurped power to disappear "like the "baseless fabric of a vision." His only hope reposed in a change of the state of society; but he knew, that the slow progress of arts, trades, manufactures, and commerce, could not effect it in time—could not, by the creation of property, produce that feeling of interest in the stability of his power, which he required immediately. His sagacity, however, pointed out the means of effecting an immediate change by the formation of ecclesiastical establishments; and abbies, priories, monasteries, &c. &c. depending for their very existence upon the stability of his power, rose as it were by enchantment in every corner of his dominions. One hundred and fifty of these religious foundations were raised by him, gave honest employment to tens of thousands, and property

† I should have made an exception in favour of Alfred

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and hopes to thousands. Five new orders were introduced into the country, Knights-Hospitallers, Augustine Canons, Cistercians, Canons of the Holy Sepulchre, and the Monks of Grandmont; and amidst a formidable host of priests, and a rabble actively employed, the most popular soldier in Europe returned from the Holy wars unnoticed; and lived more than twenty years neglected and forgotten, a prisoner in the country of which he was the rightful sovereign. The middle class which Henry's policy, and not his religion, formed, was the best which circumstances permitted for an immediate purpose; and the property and existence of almost every member of that class depended upon the stability of his power.

We have in India better and more manageable materials for the purpose at our disposal, and we are much less pressed for time; and it must be sufficiently manifest, that without such a middle class raised by the creation of property in some shape or other, the stability of our power must always be extremely precarious — the spirit of a bold adventurer, or the wild dream of a fanatic may, at any time, shake it to its foundation. The materials of a tempest are always gathering and moving around us; but so much are we occupied in the great unwieldy plaything of a regulation code, like Justinian and his lawyers, that the genius will appear to direct them to our destruction, before we shall be sensible of their existence. Of

all the barriers that the genius of man ever invented or conceived, to separate the governing from the governed, this enormous pile of regulations is, perhaps, in its operation, the most efficient; and I believe there is hardly any gentleman in the civil service of Bengal, of any sense and feeling, who has been employed to carry these regulations into effect, who does not consider them in this light—who does not feel, that they have surrounded him with a host of knaves and myrmidons, against whose inroads he finds all his attempts to defend the people unavailing. The great end and object of jurisprudence is the security of person and property; but we seem to love laws for their own sake, as misers love their money; and wherever we go they become one of our *staple manufactures*. It is one of our great playthings, and, as the parent country, being amused by an incomprehensible and uninterpretable code, we fancy that every other country must find a source of amusement in the same thing; and we lose sight of the very simple end, in the extreme complexity of the means. While Justinian and his attornies were gravely discussing the merits of their great code for the government of the empire, they quite forgot that they had no longer an empire to govern; and that the barbarians, who had just as great a taste for swords and standards as they had for quills and paper, were amusing themselves by the annihilation of all the persons and property which

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these laws were to defend. India will have its Justinians too long.

To the great body of the people of India, and to European gentlemen of the civil service generally, our regulation code and our system of English laws appear an intolerable evil; and I believe that there is hardly any part of India, where the people would not rather be exposed to a periodical inroad of Pindaries, than to the perpetual presence of a regulation court, or any court in which English laws are administered and English attorneys employed. I will venture to assert, without fear of contradiction by any man who knows India, that if there is any corner of our immense dominions in which our character is beloved, and our administration popular, it is where we have governed without this code, and consequently without the host of myrmidons indispensably necessary to its introduction. We often hear of the *blessings of English law*; but I believe the attempt to introduce our English code under the bayonets of our soldiers (and in no other way can we do it), by men hardened in its iniquities, and bigoted to its forms and practices, would be one of the greatest evils that the Almighty in his awful dispensations could inflict upon the people of India.†

Ships are extremely useful instruments of distribution, as well between different nations as between the different parts of the same nation. They are an important part of the national stock;

† We could, no doubt, a code in which the rights and duties of men shall be clearly ascertained, and courts by which they shall be duly enforced; but our more cabalistic system has the models to frame these unfortunately

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and it is the interest of every nation to possess, in its own property, as great a portion as possible of the number it requires to employ. It is of advantage to a nation, to possess the ships it requires to convey its own produce to distant nations, and to bring back theirs in return; and it is of advantage to a nation, to possess some of those which are employed in distributing things between distant colonies and distant nations. A part of the enjoyments, or materials of enjoyment, distributed by them, or the value of that part, is taken in freight, as the charge for distribution; and of this portion, a part only is required to maintain the instruments abroad. The rest is brought to the nation that owns the ships; and through healthy and invigorating channels, is distributed among the people. It adds to the population, wealth and strength of the nation—to public industry, energy, and enterprise; and the possession of the ships in which it is conducted is, perhaps, the greatest advantage that any nation derives from the pursuit of external commerce.

England is not so much indebted to her funds, or sources of wealth and material enjoyments, for the proud pre-eminence she has attained in the scale of civilized nations, as she is to the number and efficiency of her instruments of production, preparation, and distribution. In the extent and the natural fertility of her funds, she is and has been inferior to many surrounding nations, and in

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the number of her rational instruments available for industry, she is and has been no less inferior; but the deficiency in the number of these, and in the extent and fertility of her funds, has been more than counterbalanced, by the superior efficiency of our rational instruments, and the greater number and powers of our inanimate instruments. Among all her inanimate instruments, none have contributed so much to her wealth, strength, and independence as her ships—the ships in which she nursed those seamen, on whom she so ungenerously threw the whole burthen of her defence, while she denied to them the just wages of their labour. The voice of a *Nathan* was not heard in her senate; but the day of retribution came in our struggle with America, and what we refused from principles of common justice and humanity, we gave from necessity.

Any cause that shall tend to reduce the number and efficiency of these instruments, can hardly fail to be prejudicial to the substantial interests of the nation. The great object of our navigation laws, which were founded not in justice but expediency, was the maintenance and augmentation of our commercial navy; and the same object is still kept in view by the legislature. "All intercourse between the mother country and her "colonies, whether direct or circuitous, and all "intercourse of the colonies with each other, will "be considered as a coasting trade, to be reserved

entirely and absolutely to ourselves *;" and we can as little doubt the policy and expediency of the measure, as the practical good sense, and liberal feelings of Mr. Huskisson. Doctor Smith has very justly observed, that " national animosity, " in the navigation act, aimed at the very same " object, which the most deliberate wisdom would " have recommended,—the diminution of the naval " power of Holland, the only naval power which " could endanger the naval power of England." † Economists may talk of capital moving from one employment to another; but when England transfers the formation and maintenance of her commercial navy to other countries, she may, no doubt, convert her seamen into cotton spinners, and her ship-carpenters into fancy-dress makers; but she will, probably, at the same time, convert a great and independent nation into a poor and tributary province.

Many states have risen to wealth and power by means of their ships alone. The Phœnicians, Carthaginians, Rhodians, Genoese, Pisans, Venetians, Dutch, all rose by the formation and maintenance of their naval instruments; and without detracting from the merits of our army, we may venture to ascribe much of the rise and progress of England to the same cause. Our commercial navy is the nursery of our martial navy, as agri-

* Huskisson's speech in Parliament, March 21, 1825.

† Wealth of Nations, vol. ii. b. iv. ch. ii. p. 192.

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culture is the nursery of our armies; and if we require a martial navy, we should encourage the domestic formation and maintenance of the ships we employ in our commerce for its support, with as much care as we should encourage domestic agriculture for the support of our armies. That portion of the wealth and power of a nation which is derived from the profitable employment of its ships, must, of course, sooner or later go to decay. When it ceases to find that employment, it will cease to form and maintain them; and the principle of free competition would, I fear, soon deprive England of all the advantages which she derives from the possession of hers. To reserve entirely and absolutely to ourselves, as far as may be in our power, all intercourse between the mother country and her colonies, and between the colonies themselves is both just and expedient in the legislature of England.*

The great power of Holland depended upon the profitable employment it found for its shipping; so did that of Venice. The navigation of the Cape destroyed the one; and the navigation act and Indian conquests of England, added to the commercial spirit and growing Indian possessions of France, destroyed the other. Louis the Fourteenth attempted to destroy the naval power of Holland by invading and desolating the country,

* As far as this regards our Eastern empire, the subject will be found more fully noticed in a subsequent book.

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as he invaded and desolated the Palatinates of the Rhine; and had he not happily preferred the advice of an interested secretary to that of the two greatest generals of their age, Condé and Turenne, he would have succeeded; and the Dutch as a nation might now have been found only in their distant colony of Java. His bounty upon ship-building and other encouragements to commerce were more successful*; and with the rise and progress of the commercial navies of France and England, that of Holland decayed.

Nations of small territorial extent must always depend for a portion of that power which exalts them above other nations that have more, upon the number and efficiency of their instruments of preparation in manufactures, or of distribution in commerce; and the power which depends upon them must be always more or less precarious. The exclusive advantages by which it is secured disappear; and with them the profits, and the employment of the instruments.† These instruments may in part be converted to other purposes, but these purposes will not support the power. The merchants and ship-owners of Rhodes, to abolish a little custom-house at Byzantium, could rouse all the states of Greece, and the sovereigns of Egypt and Macedon to a general war, and dictate the terms of the peace in which it concluded.†

* Siècle de Louis XIV., ch. x. and xxix.

† Polybius, General History, lib. iv. l. 5.

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The sovereigns of the commercial city of Palmyra could aim at the conquest of the world, and subdue a good part of it. Carthage aimed at the conquest of the world; and, but for a few accidents, we might now be studying in our colleges the languages, laws, and institutions of the Carthaginians, instead of those of the Romans. Pisa rose upon the employment of her commercial navy to the possession of Sardinia, Corsica, and Elba, sources from which she was enriched and embellished. Genoa rose, upon the employment of hers, to the conquest of Corsica, and the acquisition of valuable settlements in the Dardanelles and Black Sea*; and could send out in a single armament, from her martial navy, above one hundred and fifty ships, manned by above forty thousand men†; but one naval defeat‡ deprived her of her commerce and her power, and reduced her to a state of insignificance from which she never recovered. Venice, with scarcely any territory at all, could become the most powerful state in Europe; Holland subsequently could surpass even her; and England has surpassed them all: but *her* power, like theirs, must pass away, unless sustained by the resources of her Eastern dominions, too long and too much neglected. The follies and absurdities of the

* A.D. 1261. By assisting the Greeks in recovering Constantinople from the Latins.

† A.D. 1293. ‡ A.D. 1380.

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schools of political economy have made people blind, not only to the wealth and power which England may derive from these dominions, but to those which it actually has derived, and is continually deriving; but this will be considered fully in the second and third books of this work.

Money may very properly be considered as an instrument of distribution. By its means all the different kinds of rational stock are exchanged for each other, and their distribution facilitated in the different stages of their progress. As an instrument of distribution, money must be considered a part not of the *floating*, but of the *fixed*, capital of a nation: and whether it can be so considered consistently with the definition of Doctor Smith, is a matter of no importance; because it can be so, consistently with the general spirit of his reasoning. He defines the characteristic of fixed capital to be, that it affords its profits without changing masters; and that of floating capital to be, that it affords its profits only by changing masters.* According to this definition, money could not be considered to form a part of the fixed capital, because it affords its profits and advantages by changing masters; but in all other respects, Doctor Smith says, it bears a greater analogy to fixed capital.†

1st, Because it is an instrument that makes no

* Wealth of Nations, vol. i. b. ii. chap. i. p. 416 and 417.

† Ibid. vol. i. b. ii. chap. ii. p. 428. and 433.

part of the net revenue; and like all other instruments, is provided at the expense of the net revenue or enjoyments of the society.

2nd, It forms no part of the gross, or net revenue of the society; that is, it neither flows into the great reservoir as an annual return for consumption, nor is it taken out for consumption, like the different portions of floating capital.

3rd, Every saving in the expense of collecting and maintaining it, that does not diminish its powers and efficiency, improves the net revenue; that is, it saves the application of one instrument to the provision of another, and leaves it available to yield or produce net revenue or enjoyment.

If I have interpreted Doctor Smith correctly, money, as the circulating medium and an instrument of distribution, ought to be included in the fixed capital of a nation; and is not so included, merely because it does not precisely correspond with an arbitrary definition. I shall consider money, as the circulating medium, to be an instrument of distribution; and, consequently, as a part of the fixed stock of the society.

A nation that has no mines of the precious metals must purchase what it requires of them from other countries, in exchange for what it can supply — for the instruments by which enjoyments are imparted or supplied, or for the enjoyments or materials of enjoyments supplied by them.* One

* Since the holy wars, nations have seldom sold their funds or sources themselves for gold and silver.

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nation may purchase gold and silver in exchange for men, or rational instruments, sold permanently as in Africa and Madagascar—or lent temporarily, as in Ireland.+ Another nation may purchase them in exchange for brute instruments in horses or bullocks—another may obtain them in exchange for inanimate instruments in ships, coaches, and steam-engines; while all three may purchase them in exchange for enjoyments or the materials of enjoyments supplied by the domestic employment of these instruments, as England has, for the most part, hitherto done—though, like Africa, she seems now disposed to sell to other nations for almost nothing, the most efficient rational instruments that the world has ever produced! But in all these cases there is supposed to be a sacrifice of net revenue or enjoyment, because we might have enjoyed as net revenue the things we gave—or what these things could have provided for us at home, or what they could have purchased for us abroad: but the money they purchase for us, as an instrument of circulation, we cannot enjoy; nor has it any active powers to produce for us enjoyments. Paper of the same value has the same powers, as an instrument of circulation or distribution, but neither of them has any active capacity to assist our labours. If, therefore, we could obtain an instrument equally efficient for the purpose without paying anything in exchange, we should have so many more instruments available

+ In Switzerland a great deal of the income of the people was derived from the wages of men serving in other Countries—some Ireland and some the Kingdom of Naples in India where we have all the finest Recruits for our Native Regiments.

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in the production of enjoyments; or so many more enjoyments available for our use.

If the mines of the precious metals be in the country, we still purchase the specie we require from them by the same or nearly the same sacrifices. What we give to the miners is no doubt net revenue or enjoyment to them, and they being a part of the society, it is net revenue to the society, but their labour thus employed neither gives nor imparts either net revenue or enjoyment. They might have been employed for our immediate enjoyment in our gardens or pleasure-grounds, or in providing us with things for enjoyment; but the money, in the supply of which they are employed, is neither in itself capable of enjoyment, nor as money, is it in itself enjoyment, nor has it in itself any active powers to aid in the production of enjoyments. It is, therefore, provided by a sacrifice of net revenue or enjoyment; but the society, in providing it, sacrifices only once to the full amount of the value of the money it purchases from other countries, or produces at home. It is common enough to suppose, that with what we give to other countries in exchange for the specie we require from them, we might have purchased from them *capital*;* but we could no more have purchased capital with what we give for our gold and silver, than with what we give for our wine,

* Wealth of Nations, vol. i. b. ii. l. 2. p. 428. M. Say's Principles, b. i. chap. xxii.

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our tea, and our sugar, which are all capital till they reach the possession of the consumers. The kings and chiefs of Africa and Madagascar might, no doubt, have purchased steam-engines in exchange for their men, in lieu of trinkets, ardent spirits, opium, &c. &c.; and we might purchase men instead of wine from France in exchange for our steam-engines. But the kings of Africa and Madagascar might make playthings out of our steam-engines, and we might make dancing and fencing masters out of our Frenchmen, when they would be no longer *capital* to the nations. Whatever we purchase from, or sell to, other nations, must necessarily be *capital* till it reaches its ultimate destination, the possession of the consumer; and what we give for our money would not necessarily provide us with a more enriching instrument than what we give for our wine. What we purchase for an instrument of circulation in specie, will retain its powers as an instrument for centuries; and the only annual sacrifice we make is in repairing the loss, wear, and tear.

It might be useful to the science of political economy to consider the currency of a country, as a sign or expression of demand. In the progress of society when one commodity ceases to be bartered for another, and all purchases, or nearly all purchases, are made with money; money seems to be to demand, what language is to ideas and feelings. Ideas and feelings may exist without

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words, but without words they cannot be expressed; and demand may exist without money, but without money it cannot be expressed or communicated to those who are to supply. Some men communicate their ideas in ciphers and symbols, which are conventional signs; and some men in society communicate or express their demand by the same conventional signs, without the actual use of money: but, generally, the demand is expressed by money, as ideas are expressed by the words of a common language. I may desire to sell my horse, and purchase another man's ox—he may desire to purchase the cow of a man, who desires to purchase my horse—we do not barter these animals—the man of the cow expresses his demand for my horse in a sum of money, by which I express my demand for the ox; and the man of the ox expresses his demand for the cow by the same precise sum of money, acting as an instrument of circulation or distribution.

The man who has so much money in his pocket, as currency, has so much effectual demand for the services of men and the produce of their industry. He must have the means to purchase to the extent of his money, and if he has not the desire also, his money has ceased for the time to be currency—it is for the time hoarded and not in circulation. If the miser reserve his money for his enjoyment, it is his plaything, and he withdraws it from circulation as much as the man who converts it into

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plate for his table; and the plate we use upon our tables is no longer demand or the expression of demand. If a man reserve and accumulate money with a view to lend it out at interest, it is, while so reserved, withdrawn from circulation, and can no longer express demand; but if he has it as currency, or an instrument of circulation, he has neither advantage nor enjoyment in keeping it—its utility to him as such an instrument consists entirely in its capacity to purchase for him what he requires for his use. For this purpose, therefore, he must desire to use it; and as money is always the means of purchasing, for use or enjoyment, the services of men or the produce of their industry, the man who has it as an instrument of circulation, must, at one and the same time, have the desire and the means—he has, therefore, so much effectual demand for the services of men, and the produce of their industry. The money of every society must, of course, often pass from hand to hand without expressing such demand, or making such purchases. The farmer pays his landlord his rents, the priest his tithes, the collector his taxes, the parish officer his poor rates, the banker his interest, &c. &c., and they again pay all that have claims secured upon them directly or indirectly. These and all such like payments are made without actual purchases; and, consequently, without any expression of demand; but the money so paid must very soon

reappear in its proper character, as the expression of demand for the services of men and the produce of their industry. These intermediate payments go of course for nothing in the number of exchanges —they are mere *pirouettes* in the great dance of circulation.

We may venture to assume, that every man who has so much money, as an instrument of circulation, has so much demand for the produce and services of men; and that the whole annual demand of society must be equal to the whole amount of this instrument employed in the society, multiplied by the number of times which it is made to exchange for them. The whole of the currency in use as such an instrument, is the expression of a demand for as much of produce and services as can be got in exchange for it at one time; and if that demand be repeated ten times within the year for different portions of service and produce, it will, within the year, express a demand for produce and service to ten times the amount of its own value. The demand will be at least ten times the amount of the actual currency. It may be more, because demand may, as I have stated, be expressed by conventional signs in numerous cases, as it is every day, particularly in manufacturing and commercial nations; where men of credit, who have the desire to purchase, find the means in the mere signature of their name. An increased demand may be expressed either by an increased number

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of exchanges; or by an increased quantity of currency.

Mr. Hume and M. de Montesquieu* considered the money of a country, whether in paper or specie, as the representative of all the commodities and all the labour to be exchanged for it. Increase the commodities and labour compared with the money, and the former become cheaper; decrease them, and they become dearer. Increase the money compared with commodities, the latter become dearer; decrease it, and they become cheaper. Against the truth of this theory, so very inviting from its simplicity, Sir James Stuart argues very elaborately; but without very clearly perceiving the fallacy which it involves.† It is not all the money, as here assumed, that represents either all the services and produce, or the demand for them, but that part of the money only which is actually in circulation as an instrument. That which is hoarded and inactive, whether in the coffers of the state or the chests of individuals, is the means without the will to purchase the services of men or the produce of their industry; and cannot, therefore, be demand for them.‡ The money actually serving in the functions of an instrument of circulation, is the means

* Esprit des Lois, Liv. 22. c. 7.

† See Sir James Stuart's Works, b. ii. c. 28.

‡ "Every stop the guinea makes in its course, marks a want of desire to consume in him who possesses it for the time." Sir James Stuart, b. ii. c. 27.

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with the will; and therefore demand. Sir James very properly denies the truth of the conclusion, taking the term 'money' as an *universal*, upon the grounds, that money may be and often is hoarded and inactive; but if he had merely limited the general term money, and made it a particular, expressing only that portion actually in use as an instrument of circulation, the conclusion would have appeared to him just; and precisely consonant to his own views of the case.* Montesquieu, however, made no allowance for the number of exchanges or rapidity of circulation. He considered one exchange only to be made; and consequently, the whole of the money to be equal to the value of the whole of the labour and produce to be exchanged for it. "Quelques écrivains "d'économie politique frappés de cette première "égalité, se sont figurés que la valeur du numé- "raire en circulation devait être égale à la valeur "des choses vendues, oubliant qu'un écu change "dix et vingt fois de maitre pour une fois que la "marchandise est vendue.†

Where the money of a country is composed altogether of specie, and where, consequently, there are no banking establishments, what money one man receives to represent his demand, another man

* M. Say also argues against the conclusion, upon the ground, that the money is not equal to the service and produce exchanged for it — [illegible] Principes, b. i. c. 21.

† Nouveaux Principes, Liv. 5. c. 2. M. de Sismondi.

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loses, except in the case of money received as tribute from other countries, in public or private incomes. The quantity of money remains the same; and, provided the number of exchanges continues to be the same, the demand is the same; and if the services and produce to be exchanged for money remain the same, their price is the same. But the demand may increase while the quantity of money remains the same, and may represent itself by an increased rapidity of circulation, that is, by an increased number of exchanges within the same time; and till the supply of things should be increased in the same proportion, their price would be augmented. The increased price of things in that particular seat relatively to that of things in the surrounding seats, would be the means of a drain of currency from it; and the increased rapidity would be in some measure counterbalanced by a diminished quantity; and through the medium of this drain, and that of an augmented supply of things, prices would be restored to their natural state.

The currency which is sent to another country is, for the time, so much of demand for the services of men and the produce of their industry, taken from this and given to another; provided it be taken from the actual circulation of one, and added to the actual circulation of another country. The hoarded treasures of Solomon, sent to swell the hoarded masses of princes and priests in India,

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were neither demand taken from one country nor given to another; the hoarded treasures of Athens, spent suddenly in the prosecution of the war in distant countries, were so much of demand given to them, but not taken from her — the hoarded treasures of the great Frederic and his father, spent within his own dominions, were so much of demand raised from the grave, to animate the industry and rouse the energies of the nation.

The currency taken from a country may be replaced by paper, by the plate and bullion of that country, or by an influx from other countries; and when it is so replaced, the demand she has sent out is restored to her. But there may for a long time be a great influx of the precious metals without much increasing the internal demand for produce, because they may be absorbed by the state and by individuals to the full extent in which the influx exceeds the efflux. They were so absorbed for above two thousand years in India, during which time it received from the West nothing but gold and silver in exchange for all the luxuries it supplied. These metals were exchanged once for the services of men and the produce of their industry on coming into the country, or perhaps twice, when they passed into the coffers of princes, or the temples of the Gods, and ceased to be used as an instrument of circulation. Though a very useless, the temples were always a very secure place of deposit, amidst their intestine wars; because the belligerent powers were always of the

* The increased demand for the produce of labour and the services of men arising from the lavish expenditure of the accumulated treasure of Athens is well described by Plutarch in his "Life of Nicias"

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same religion before the Mahommudun invasion; and the temples were always secure in their feelings of veneration. By the Mahommuduns these treasures were drawn forth, and were at once the cause of their invasion and the support of their dominion; and though they were not the cause of *our* invasion, they have been the cause of our success.* From the moment that they were drawn forth by the Mahommuduns, and employed in purchasing the services of men and the produce of their industry, the historians of India describe, without any conception of the great cause, the aspect of the country as changing, as it were, by enchantment; while they execrate the tyrant, under whom the change commenced, as the greatest monster that ever filled a throne.†

As I have stated above, while the currency of a country is purely metallic, one individual is for the time deprived of the means with which another individual is furnished, and the aggregate means remain the same. The capitalist who to day receives a hundred thousand pounds from one set of debtors, in liquidation of the sums he had advanced, deprives them for the time of the means of demand to that extent; but he gives the means of demand to that amount to another set, to whom

* With our system of war, which prevents men from plundering, we could not have moved our armies a single march into the country without the money.

† Alaad Deen the first, who, as governor of a province invaded southern India, plundered the temples for the first time, and ascended the throne of Delhi by the aid of his enormous booty.

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he may lend it to-morrow — the demand is the same, though represented in the hands of a different set of people; and, perhaps, for a different set of services and produce — left in the hands of the first, the money might have purchased corn and timber, and the services of ploughmen and carpenters; in the hands of the second it may purchase diamonds, silk, and lace, and the services of players and musicians—all are equally useful if they contribute equally to the general good of society. But there is an interval between the receiving from one set of debtors and the lending to another, in which the operation of the means of demand is suspended, and the stagnation in the demand must be in proportion to the duration of the interval, and the magnitude of the amount so withdrawn from circulation.

The case is very different in countries where paper circulates as currency, and the banking system obtains. The banker who advances, in a new issue of his paper, a hundred thousand pounds to a set of debtors, in loans, or in discounts (which are often nothing more than loans), draws from a set of creditors or debtors only the amount of his cash deposit, of perhaps one fourth, or twenty five thousand. This he has withdrawn from circulation, and may for a time absorb: but he has sent into circulation one hundred thousand; and has, consequently, added seventy-five thousand pounds to the currency of the county; and, in all probability

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a good deal more to the demand; for the whole demand is equal to the whole currency multiplied by the number of exchanges; and the demand he adds by this issue may be equal or nearly equal to seventy-five thousand multiplied by the same number of exchanges. If the paper be good, every man who holds it must hold the means of purchasing the services of men and the produce of their industry to that extent; and he must, at the same time, have the desire to purchase, because it can be of no use to him for any other purpose. It must, therefore, be so much added to the demand. If the paper be good, it must be as good as the money in specie which it represents, or whose denomination it bears—no man, therefore, offers it in exchange for money. It is offered in exchange for services and produce; and the demand for services and produce is increased to the extent in which the issue exceeds the cash deposit, if not to that extent multiplied by the number of exchanges it makes.

The opening of every new bank must thus be an addition to the currency, and to the demand for the services of men and the produce of their industry; and the failure of every bank must, upon the same principle, be a diminution of the currency and of the demand, to the extent of the amount of its paper in circulation at the time of failure; if not to that amount multiplied by the number of exchanges it had made within the year.

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Men who hold this paper at the time and after the failure, have the desire to purchase with it, but it is to them no longer the means — men will no longer give either their services or the produce of their industry for it. With the opening of every new bank, and with every increase in the issues of those already established, prices must increase through the medium of increased demand; and with the failure of every bank, prices must decrease through the medium of a diminished demand. The establishment of banks has no doubt been extremely useful to England and Scotland, by increasing the demand for the services of men and the produce of their industry; but till they are established upon a more secure footing than they have hitherto been in England, their advantages must be very dearly purchased. Periods of excitement must be followed by periods of great embarrassment and distress; and mutual confidence, so necessary to the harmony and welfare of society, must be often interrupted, and for long intervals suspended.

Doctor Smith has argued, or has been supposed to argue, that the issue of bank paper cannot increase the actual amount of the currency; and, consequently, cannot increase the price of commodities;* but it is sufficiently manifest from his own admissions, and from the general spirit of his

* Wealth of Nations, vol. i. b. ii. ch. ii. p. 448. 450. 490.; vol. iii. b. v. ch. iii. p. 454.

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reasoning, that it can increase the price of commodities, precisely because it can and does increase the actual amount of the currency. "The quantity of money taken from the currency, is," it is said, "always equal to the quantity of paper "added; and the whole currency remains the "same; and over-issues of paper money correct "themselves by returning upon the bank to be "exchanged for gold and silver, which flow out "of the seat of over-issue." This is all very clear and intelligible; but the proposition involves essentially the very conclusion whose truth is denied. These over-issues cannot, as he supposes, correct themselves immediately—they can do so only through the medium of augmented prices, arising from an increase of currency and demand, the very things that it is assumed cannot be increased. The increase of currency, demand, and prices at the seat of over-issues, diminishes exports and augments imports; and thereby causes the precious metals to flow out. They are then sought at the banks in exchange for paper; and over-issues correct themselves *mediately*. While those who hold notes feel assured that specie can always be got for them, the notes are as valuable as gold and silver; and no man thinks of going to the bank in search of guineas and shillings, while his paper will exchange for the same things; but when, from the increase of prices, gold and silver begin to flow out as the only species of money

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available to pay for imported commodities, they are sought for at the banks in exchange for notes; and thus over-issues correct themselves through the medium of increased demand and price, occasioned by themselves; and the profits of the bankers are made indirectly from those who have to purchase without having any thing to sell at the increased rate of price. Indeed, Doctor Smith, whatever may have been his opinion in the parts of his work above adverted to, has expressly stated, "that the bank of England, in its duty to "the public, and without any fault of the Direc- "tors, may sometimes have overloaded the cir- "culation with paper money;"* and that it cannot so overload the circulation is a premise essential to the conclusion, "that an increased "issue of paper money cannot possibly increase "the price of commodities."

The whole resolves itself into a question of times and terms; and if Doctor Smith be understood to mean *permanently*, his conclusions would be just; if he be understood to use the term 'cannot' without this qualification as to time, they are contrary both to fact and to principle. M. Say is, I believe, the only writer of the new school, who has understood him to have given this qualification to his term; and he has supposed him to argue, that the specie is made to flow out of the seat of over-issues, through the medium of the

* Wealth of Nations, vol. i. b. ii. ch. ii. p. 432.

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increased prices they occasion.* Money in gold and silver is not *pushed* immediately *from its stool* by the mere appearance of paper, like Macbeth by that of Banquo's ghost—they both keep their seats, and act together and in concert with great good will, till one of them is invited to another table; where specie is the only admissible guest. Paper when issued is not thrown into the air to wait a vacuum on earth, caused by the evaporation of the specie—it is given as of equal powers with specie, to those who will immediately employ these powers in purchasing the services of men and the produce of their labour. In proportion as it augments the amount of the currency actually in circulation, and the demand, it increases the price of what is demanded; and the only way in which over-issues of paper money from banks of undoubted credit can operate to correct themselves, by drains upon such banks, is by increasing prices relatively with the prices of other places, with which the seat of the over-issue has a free intercourse of trade; and thereby causing an efflux of specie, the only part of the currency available for purchases beyond the limits of that seat.† While the paper is freely convertible into the gold and silver whose denomination it bears, at the banks which

* Principles, b. i. ch. xxii. As an admirer of Doctor Smith, I thank M. Say. He has done him *more than justice* in this instance; and it is very rare for him to receive even so much from any member of the modern schools.

Mr Mushet accuses Mr Tooke of mistaking an effect for a cause when he says the rise of prices was the effect of over speculation, as the increase of the currency was the cause and over speculation the effect; but Mr Tooke makes no mistake—the increase of the currency might have caused the speculation, but the speculation caused the in-

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have issued it, the exchange between the seat of these banks and other places with which it has a free intercourse of trade, can never rise much above the expence of sending money; but the moment that this paper becomes inconvertible, the rate of exchange may rise to any extent; and the value of gold and silver at that seat, relatively to the paper, which bears its denomination, will rise in the same proportion, in spite of all our efforts to prevent their efflux. Of this we have had abundant evidence, as well in the parent country as in her distant colonies, the Cape of Good Hope, the Mauritius, Ceylon, Java, and New South Wales.

Mr. Ricardo, and after him others, have assumed this error of Doctor Smith as an established *truth*, and as such have employed it to prove the *error* of some of his most just and most useful conclusions. Having denied that an issue of paper from any bank whatever, could increase the amount of the actual currency, and thereby augment prices, he was obliged to explain a recorded and admitted *fact*, upon the supposition that the specie, relieved from its duty, like a sentinel, immediately left camp and went out foraging for *capital*. He admitted, that the opening of banks in Scotland had given an immense stimulus to industry; but attributed it to the capital taken by the specie in its foraging expeditions, and sent

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in, in various shapes, to Scotland.* Mr. Ricardo assumes the error as an unquestionable principle; and, consequently, denies the *fact*—he denies that the opening of banks in Scotland could ever have given a stimulus to industry—because, according to his assumed *principle*, they could never have increased the actual currency—could never, therefore, have increased prices; and without increasing the prices, they could never by possibility have given a stimulus to industry.† Many men, no doubt, employed the loans they received from the banks in the purchase from England of better instruments of production, preparation, and distribution, than they had been in the habit of using; but the medium through which specie was forced out of Scotland was, chiefly, that through which it is forced out of every other seat of paper issues, increased prices, occasioned by augmented currency, and demand for the services of men and the produce of their industry; and an augmented demand for these things is the same thing, or nearly the same thing, as a stimulus to productive industry. But no, says Mr. Ricardo, if Government spends an extra million, or ten millions, or twenty millions, and, to meet the extra expense,

* Wealth of Nations, vol. i. b. ii. ch. ii. p. 438. 442.

† Ricardo's Principles, p. 508. 515. first edition. A fact is seldom allowed to stand in the way of this school—if they cannot explain it upon their own principles, they deny it "sans ceremonie."

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makes an extra issue of its notes to that amount, *the amount of the currency must still remain the same, because paper issues cannot increase the currency!!* *

The terms or phrases, "the circulation will "bear no more," or, "the circulation requires no "more," are in themselves very absurd; but they lead to a good deal of error in this science. They imply some scale or measure by which the wants of society are ascertained; and, by frequently hearing and using the terms, men are apt to suppose, that there really is such a scale or measure, operating in our currency like the great index in the river Nile. There is no such rule or measure, and the terms really signify nothing. The quantity of money in circulation acts upon the price of commodities; and the price of commodities reacts upon the quantity of money in circulation. An increase of the currency increases the price of things; and an increase in the price of things reduces the currency, by causing the efflux of specie. If the efflux be so great as to reduce prices below the rate of those in the surrounding seats, an influx is the consequence; and thus the equilibrium is preserved through the medium of a rise and fall of prices. "But," says Mr. Ricardo, "ad-

* Principles, p. 508. This is assuming Doctor Smith's error as a truth when it is wanted, as such, for a particular proposition. This conclusion of Mr. Ricardo is contradicted, p. 413. 502. 525.; and what conclusion in any one page is not contradicted in some other page of that work?

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mitting that banks can and do increase the amount of the currency, they cannot alter the rate of wages, profits, or interest, because they cannot alter the quantity of *capital.* Capital does not consist in money, but other things, and the other things of which it is composed would remain the same, whether banks issued one, ten or a hundred millions!* A plain practical man would suppose that the foreign banker who should bring into England ten million pounds sterling in specie, or a sufficient cash deposit and character, to enable him to issue ten million pounds in notes, as loans to farmers, merchants and manufacturers, would add something to the *capital* of the county, and alter a good deal the rate of interest, and the rate of price. But *capital* among the schools is any thing, every thing, or nothing, just as the particular proposition requires; and it is not at all surprising that Montesquieu and Hume should be accused of knowing nothing of its "nature and functions."†

Mr. Hume's argument, that an increase in the currency of a country stimulates productive industry through the medium of increased demand and increased prices, has been described by Mr. Mill, *as involving fallacy, and manifesting a want*

* Ricardo's Principles, p. 114. 511. 512. 1st edition. M. Say's Principles, b. i. chap. xxii. There is hardly any conclusion too absurd to be made to appear at least plausible by a dexterous use of the term *capital*; because every man feels at liberty to define it differently in every different proposition.

† M'Culloch's Principles, p. 414.

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*of clear ideas concerning production.** These are, as well as I can understand them, Mr. Mill's arguments. — Money cannot increase commodities; it cannot, therefore, increase production! The man who offers more money for commodities either raises the price of those he purchases, or he does not: if he does not, he does not encourage production: if he does, he raises the price of all; and, therefore, gives no encouragement to production! To a plain *unscholastic* man these arguments will appear rather to confirm than disprove the truth of Mr. Hume's conclusion, which amounts to nothing more than that the increase of money in circulation in any society, gives to individuals more means of demand than they had or would otherwise have; and, by increasing the demand for the services of men and the produce of their industry, increases their price. Of the truth of such a conclusion surely history and our own experience must furnish us with abundant proof.

From banks of character and credit, we may have the beneficial operation of paper issues upon the national industry in two modes: —

First: It increases the amount of the currency, and augments the demand for produce; but the demand does not augment for all things at the same time. It augments for one or more classes of things; and those who have them to sell get a higher price for them, while they pay the same

* Mill's Elements, p. 160, 161, 162. Second edition.

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price for such things as are not yet in greater demand. Funds and instruments are diverted from the supply of those things whose demand *has not* increased to the supply of those whose demand *has* increased; and the price also rises through the medium of diminished supply, as it did before through the medium of increased demand. But new funds are brought into use by the stimulus, and new instruments are formed for employment, while the powers of those before in use are improved; and production in general becomes augmented. How many *rational instruments*, or men, are brought into efficient employment from a state of inactivity or unproductiveness by any unusual demand for produce, to the supply of which their mental and physical powers are adapted! How soon may pasture lands be converted to tillage, and waste lands to pasture! And how soon are ploughs and other machines constructed out of domestic mines and forests, when any unusual demand is found to rouse the creative energies of man!

Secondly: We may consider, that an increase of the currency from issues of paper by banks of undoubted character and credit, takes so much from the command of those whose incomes are derived from claims already secured directly or indirectly upon existing funds and instruments,* (and who,

* That is, the 4th great class in society.—Vide Introduction.

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consequently, have nothing themselves to sell) and gives it to those who have no claims so secured, but depend, for their incomes, upon the sale of their produce, or upon the employment of their stock or labour; the incomes of the first class, from which means are taken, being derived from claims measured in money. These get the same money incomes, but that money purchases less of services and produce than before; and they have, therefore, for enjoyment, less of services and produce. But the issues of paper, by which the prices of services and produce bave been augmented, are made in loans to men who have nothing but the employment of their material or intellectual stock to depend upon, and to enable themselves to refund these loans they must be themselves instruments, or they must form or provide instruments for employment. They form and provide them out of domestic mines and forests by the application of domestic labour, or they purchase them from other countries, and apply them to purposes of production, preparation, or distribution. The produce available for enjoyment is thereby increased, because more instruments are employed in providing it for the society.

The claims of the first of these two classes being measured in money, their incomes remain the same, and the amount of their demand the same; but the amount of the demand of the second class is increased. The demand of the first class

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is not for the same precise produce and services as that of the second; and the demand for some things will remain stationary — that for others diminish, and that for a third class of services and produce increase. Funds and instruments will be diverted from the supply of those things whose demand has either diminished or remained stationary, to the supply of those whose demand has augmented. The diminution of the supply will raise the price, and the same money incomes will purchase less of services and produce; but the supply being increased in the other, by the conversion of some instruments, and the formation of others, the price is diminished, and that of all things in time returns to its equilibrium. But produce in general being increased by an augmentation in the quantity as well as the efficiency of the funds and instruments employed, prices are brought back to a level with those of surrounding seats wholly or partly through the medium of an augmented supply, and with little or no efflux of the specie. Produce thus becomes augmented in proportion to the increase in the amount of the currency, and prices are restored to their former level; but new and independent claims have been formed upon the annual returns by new instruments of production; and though, by a return of prices to their former level, those whose claims before existed and were measured in money, get the same produce for enjoyment as before, others

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get more. Thus, I believe, industry was promoted in Europe by the discovery of America. The money which flowed in tended to augment and employ the material and intellectual stock of nations in the production of man's enjoyments. It tended to take, for a time at least, from the fourth of the great classes into which I have considered society to be divided, the privilege of employing the material and intellectual stock of the other three. But whatever may be our speculative opinions on the effects of that great discovery upon the grand and general scale of Europe, there can be little doubt among practical men that the increase in the currency by the issue of bank paper, operates in this manner upon a smaller scale and in particular seats. "Increase of demand," says Doctor Smith, "increases prices at first, but, sti-
"mulating productive industry and enterprise,
"lowers them in the end."*

Either of these views of the mode in which the opening of banks operates to stimulate the productive energies of society in their seats, may, I believe, be considered as just. They both seem to me to describe fairly the beneficial operations of banks of character and credit upon the productive industry of the country where they are established; though it is very likely that I may not have been successful in my endeavours to explain

* Wealth of Nations, vol. iii. b. v. chap. i. p. 134.

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my meaning clearly. As I have expressed my ideas in common language, and have avoided the use of vague and disputed terms, there will be no difficulty in detecting any error that I may commit in my reasoning. Money commands the services of men and the produce of their industry, whether that money be in specie or good paper; and the services of men and the produce of their industry can be converted into productive instruments whenever there is a sufficient demand for them. Doctor Smith considered the rate of interest to be governed entirely by the rate of profits to be made upon the stock purchased with the money; but though the rate of interest may be the effect of the rate of profits to be made by the employment of the stock purchased with money, the quantity of money at any time in the market, offered in loans, must have an influence upon the profits of stock. After the conquest of the Indies, Garcilasso says, the rate of interest for money fell, in Spain, from ten to five per cent; and Montesquieu very justly attributed this effect to the influx of money which that conquest had produced.* It produced at the same time a great rise of prices, and operated upon a large scale and for a long period, as Low's scheme acted in France upon a small scale and for a short period. Bankers and capitalists who have their own money and that of their constituents seeking profitable employment,

* Esprit des Lois, Liv. xxii. chap. vi.

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must find men to borrow it; and after an expensive war, millions may accumulate in their hands, and seek in vain for employment at the former rate of interest. There must be a competition in the supply, that will reduce the rate of interest *directly;* and there must be a facility in borrowing, that will cause a competition among those who borrow, to purchase stock for employment. This will reduce the profits made upon the employment; because, by the competition in the supply, consumers will in a less price pay less profits upon the instruments employed in the producing, preparing, and distributing what they require for enjoyment and consumption.*

The plain understanding of a practical man would surely be insulted by an attempt to convince him, that whether the bankers and capitalists of London had one million or a hundred millions in their hands seeking honest borrowers, it could have no possible effect upon the rate of interest, "because the rate of interest is the effect "of the rate of profits, and an effect can never "operate upon its cause," — the *capital* must be the same, and, therefore, the profits must be the

* On the termination of our wars in India, as in England, the profitable employment of money diminishes; there is a glut of it, and the interest diminishes. Men will not borrow it to purchase the services of men and the produce of their industry, from which they cease to hope for a return of profits, unless they can get it at a lower rate of interest; and men cannot continue to make the same profits upon the services of men and the produce of their industry when the demand for them has ceased or diminished.

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same; and profits remaining the same, interest would continue the same!! Whether these bankers and capitalists offer their accumulated millions in loans to their fellow citizens, or offer them to the citizens of South America, could, it has been said, make no possible difference in the rate of interest in England. Such reasoning is fit only to amuse the schools; and yet it has been offered by a practical banker for the instruction of society.* The rate of profit to be made upon the employment of stock purchased with money regulates, as Doctor Smith has observed, the rate of interest that will be given for the money; but the quantity of money offered in loan for the purpose of purchasing the stock, will have an influence upon the profits to be made by it. They act and react upon each other, as in the case of currency and prices. When profits upon the employment of stock decline, the demand for loans of money to purchase it declines — the money to be lent augments, and seeks borrowers at a lower rate; which still further reduces the profits of stock, purchased and employed by its means; and the rate of interest still further declines, till the accumulated mass is sent to seek borrowers in other countries. This seems to be the plain state of the case.†

* Ricardo's Principles, p. 114. 396. 511, 512. He accuses M. Say of mistaking cause for effect, when he supposes prices to rise in England on the increase of interest arising from the opening of a Government loan.

† M. Say, finding that Mr. Ricardo's opinion, that the abundance or scarcity

When the national assembly of France issued their assignats, the Marquess of Condorcet, on the principles of Hume and Montesquieu, predicted an enormous rise in the price of commodities; but as the price of corn had not risen much after one thousand eight hundred millions of livres had been issued, the truth of the doctrine and principles upon which the prediction was founded, were disputed by Arthur Young, (vol. i. p. 584.) But the prediction was not verified, simply because the circumstances upon which its truth depended did not take place, as the Marquis expected they would. The issue did not increase the actual currency in circulation; for though the paper, as long as it retained its value, supplied the means of an increased demand and consumption, it did not supply the will; and Arthur Young himself tells us, that during these times in France, there was always a disposition to hoard the metallic money, and to withdraw it from circulation (vol. i. p. 582); and that men, after the revolution commenced, began to hoard their means, lessen their consump-

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of money seeking borrowers, could have no effect upon the rate of interest, corresponded precisely with his own, very *frankly* and very *naturally*, pronounces him to be, on the subject of money, *the very wisest man in Europe*, b. ii. c. 4 & 8. But I am disposed to think that neither he nor Mr. Ricardo are any where else involved in so much error and obscurity! [illegible]

tion, turn millions out of employment, and produce general misery, (vol. i. p. 608.) M. Say, who in the same manner as Young, opposed the doctrine and principles upon which Condorcet's prediction was founded, has told us, that men with great rapidity converted these assignats into specie to send out of the country.* The paper issued did not increase either the amount of the actual circulation, or the demand, or the price of things for enjoyment or consumption — those who received it did not offer it in exchange for material enjoyments, but in these disordered times converted it into specie to hoard, or to take out of the country, till the state of affairs might improve.

This was not the ordinary state of affairs, in which the amount of the currency acts upon the price of things, and the price of things reacts upon the amount of the currency by causing an efflux of specie. The assignats were given to men, not for their services or the produce of their industry, but as an indemnification for the loss of those offices which they had hitherto filled, but which were now suppressed; consequently in their issue they demanded neither services nor produce. Those who received them, deprived of their offices, could not purchase with them commodities for enjoyment — they gave them in exchange for

* Traité, liv. iv. fourth edition.

money, which they either hoarded in that country in the hopes of better times, or sent or took with them to other countries to be invested. The mass of the currency actually in circulation did not augment, because what was thrown in was either immediately absorbed, or drained off by an under current. The error of the Marquis was not in the theory, but in the practical application; he did not foresee, that the disorders and the insecurity of the times would cause the metallic currency to be withdrawn from circulation, not through the ordinary medium of increased prices, but as almost the only form in which men could conceal their property in France, or send it into foreign countries for security. Arthur Young supposed that the Marquess of Condorcet's opinion or prediction was opposed to the conclusion of Hume, that paper currency always tends to banish specie;* but it was entirely conformable to that conclusion. Hume supposed that specie would flow out through the medium of augmented demand, and increased price of commodities; and the Marquess predicted only the medium through which the effect was to be produced. Circumstances of a peculiar nature caused the effect to be produced without that medium. We are told by Macpherson, that, during the Mississippi scheme, when the same motive to draw the specie and retrench upon immediate ex-

* Travels in France, vol. i. p. 584.

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penditure, was not in operation, "Paris was "loaded with a glut of real money, a great part "of which was poured in from foreign countries; "and the prices of all the necessaries of life were "raised in the same proportion."*

The paper currency of England, when no longer convertible, was supported in its value by its being receivable in taxes, for the annual taxes have in their aggregate amount been very nearly equal to the whole amount of the currency; so the value of the assignats was long supported in France by their being made receivable in payment for the national domains.

Whether the Government, to meet any sudden increase of public expenditure in the support of public establishments maintained at home, should issue or cause to be issued paper, or should levy the means from the people in an increase of taxes, the price of produce and services would be increased. In the former case they would be increased by an increased quantity of currency, and in the latter by an increased rapidity of circulation. There would be an increased means of purchase with those who received and subsisted upon the taxes, while there would be a diminished supply of things arising from the number of rational and other instruments withdrawn from employment in the supply to fill the public establishments

* Hist. of European Commerce with India, p. 268.

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of the state; and it is in this manner that war commonly gives a stimulus to industry, while a return to peace generally, almost invariably, and almost universally, causes a stagnation. Thousands of rational and other instruments are dismissed from employment in public establishments to swell the mass of those employed in the supply of the market, while the means of purchase are diminished, and the demand upon that market reduced.

The reader will probably be disposed to admit, that while the rapidity of circulation remains the same, any increase in the quantity of the currency at any particular seat will increase prices, and any diminution reduce them; and that, while the quantity remains the same, any increase or diminution in the rapidity of circulation will have similar effects. But he will very naturally conclude, that the value of money in relation to the services of men and the produce of their industry, must ultimately depend upon something more than mere quantity, and rapidity of circulation. It does so. The exchangeable value of the precious metals in relation to that of other things, is, like the exchangeable value of every other thing, continually gravitating to the "central point" of their natural price, or the rate of costs incurred upon them in the different stages of their progress from the bowels of the earth to the circulation of a country. "Il peut etre plus ou moins recherché,

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" selon qu'il se trouve sur le marche en plus ou " moins grande abondance; mais son prix ne " s'ecortera jamais beaucoup de celui qu'il fau- " drait pour entirer de la mine une quantité sem- " blable."* But the exchangeable value of other things is commonly restored to this central point through the medium of a diminished or increased supply from the funds and instruments that provide them. If the demand decreases, and prices are, thereby, reduced below this point, the supply is decreased, and the prices are restored. If the demand increases, and they are raised above it, the supply is increased, and the prices are brought down to it. In most cases the increase or decrease of the annual supply very soon raises or reduces the *actual value* in exchange of things which peculiar circumstances have depressed below or elevated above this "central point;" but the increase and decrease of the annual supply of specie could not so soon restore its relative, or exchangeable value, to that point, from which peculiar circumstances are continually causing it to diverge. It may be assumed as an unquestionable principle, that such circumstances will operate upon the increase or decrease of the supply, and, through that medium, upon the actual value in exchange of things, in a greater or less time in proportion as the annual supply is small or great

* Nouveaux Principes, liv. v. chap. i.

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compared with the quantity actually in use; while the annual supply, compared with the quantity actually in use, is in the inverse ratio to the duration of the properties and qualities we require from things. It is very small where their duration is great; and very great where their duration is small. The properties and qualities we require from the precious metals in use or enjoyment, are of longer duration than those of almost any other thing which the industry of man provides for us. Other things, if they do not soon perish in the course of use and enjoyment, soon lose the properties and qualities we require from them, either by decay, or by a change of tastes; but those of the precious metals last for ever, and the taste for them seldom changes. The annual supply, therefore, compared with the quantity actually in use, is very small; and if the exchangeable value of specie were left to depend, for restoration to that "central point" from which peculiar circumstances cause it to diverge, upon an increase or decrease of the annual supply from the mines, it might not reach it once in ages.

Were the precious metals used for no other purpose than currency, now that societies have brought paper to assist so much in the circulation, their exchangeable value would be restored still more tardily to that central point, by an increase or diminution of the supply from the mines. It has been estimated, that of the total quantity of

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these metals exported from South America, that is, about eight millions sterling annually, two-thirds are consumed in articles of dress, ornaments, and furniture, and one-third supplies the currencies of Europe, and the markets of India and China.* If we rate the metallic currencies of Europe at two hundred millions sterling, and give two millions as the annual supply; the annual supply compared to the quantity actually in use would be only as one to a hundred; while of the necessaries of life, and most of its luxuries, elegancies, and conveniences, the annual supply is equal or nearly equal to the quantity actually in use.

But the actual value in exchange of money is restored to the *central* point without waiting this tardy operation. In a taste for the precious metals, as articles of convenience and luxury, and in a demand for them as an instrument of circulation, all civilized nations are united; and the superfluities of one nation always find a ready vent to supply the deficiencies of another. Though the quantity of currency in actual circulation at any particular seat, regulates the actual value in exchange of money, that is, the prices of other things; the prices of other things react upon the quantity of the currency — they cause an efflux of specie when they are high compared with those of surrounding seats, and an influx when they are

* Low's Present State of England, p. 69—268.

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low. The equilibrium is restored through the medium of an increase or diminution of the quantity; though that increase or diminution is not produced immediately by any difference in the quantity of the annual supply from the mines.

M. Say considered that he and Mr. Ricardo had come to issue upon the point whether the exchangeable value of the precious metals was regulated by the costs of production, or the circumstances of demand and supply.* If they are at issue upon this point, it is a very silly point for sensible men to come to issue upon. But there is really little or no substantial difference in their opinions upon the subject — it resolves itself into a question of time and terms. Ricardo considered the costs of production to regulate their value in exchange; and Say says the demand and supply regulate this value; but if we suppose Mr. Ricardo to argue that the costs of supply are the *ultimate* regulator of their exchangeable value, we shall find him to be right; and if we suppose M. Say to argue merely, that the circumstances of demand and supply are the *temporary* regulators of this value, we shall find him to be right; but when we find them arguing without any regard to time, we find them both wrong. M. Say supposes that the mere circumstance of there being a supply of so many notes and a demand for so

* Say's Principes, b. i. chap. xxi.

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many in the circulation, will regulate their exchangable value; and that when the demand increases it will invest with *an immense* portion of exchangeable value a thing that costs nothing, and is entirely without intrinsic value; in short, that when this demand for circulating medium increases, though the paper should be no longer convertible into the specie whose denomination it bears, it can, though the paper cost nothing whatever in the acquisition, invest it with *exchangeable value*, originating in its utility — *substantial value* — *positive value* — and I know not how many other species of *value*, though it be destitute of *intrinsic value*, or substantial guarantee, though of *no value whatever*, as a representative, and representing nothing!!* These notions may all, no doubt, appear extremely clear to M. Say, or to any member of his school, but they will appear very confused and perplexing to a plain practical man. When M. Say saw the value of paper sustained in England after the suspension of cash payments, he did not consider that provincial notes, if not convertible into specie, were convertible into Bank of England notes; and that Bank of England notes, if not convertible

* M. Say's Principes. Prinsep's translation of the 4th edition, vol. i. p. 361. 364. 395. 435. b. i. chap. xxi. When M. Say is explaining a proposition of Doctor Smith, he is a good deal more intelligible. "Paper cannot retain its *value as money* any longer than while it is readily and instantly convertible into money." vol. i. b. i. chap. xxii.. It was so convertible while Bank of England notes were receivable as money in the payment of taxes; and the provincial paper was convertible into Bank of England.

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into specie, were a legal tender for taxes, when the annual taxes were equal to the whole amount of the national currency. The paper still represented specie in the payment of taxes at least; and the taxes paid annually were at least equal to the whole of the paper circulating in the nation.

A large issue of paper money is like a large influx of specie into the circulation of any particular seat. As long as the paper is good, it is the same thing whether a banker brings a million of money from the mines of South America, and distributes it in loans, or whether he brings a hundred thousand pounds as a cash deposit, and issues a million of notes in similar loans. It increases prices by increasing the demand for the services of men and the produce of their industry; and the prices are brought back to their state of equilibrium or "central point," through the medium of an efflux of specie, an increased supply of produce, or both operating simultaneously.† The paper in circulation at any particular seat can have the same value as the specie it represents, or whose denomination it bears, only while it is freely convertible into that specie, or into something equivalent to that specie; and under ordinary circumstances it may always be considered as freely convertible into something equivalent to that specie, when it is convertible into a paper, receivable as specie in the payment of taxes, by a Government like that of England. But

† Mr. Hume considered the Bank of England bills to have circulated those of the Country Banks as they are meeting the currency & the Country increased the price of commodities and vice versa (27, 28. 64. 65. 93. 104. 182. He admits that the increased issues of the Bank

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under extraordinary circumstances, so great and so sudden may be the efflux of specie, and the demand for it in payments to other countries, that specie may bear even double the value of the paper which bears its denomination, though that paper may be a legal tender for the same thing, not only in public taxes, but in private transactions. A law may prohibit a sovereign from being tendered in payment for any thing at a higher rate of value than the paper bearing its denomination; but this would not reduce its value to that of the paper—it would only cause them to be tendered and exchanged *illegally*. A law might prohibit any workman in England from making a tender of his services at a higher rate of wages than one shilling a day, and no workman in England might be detected doing so; but this would not prove that no workman sold his services at a higher rate. Good workmen would sell their services for more secretly, or go into other countries where they were permitted by the laws to do so openly. So it was with specie in England during the suspension of cash payments. The man who had twenty sovereigns or guineas, could purchase with them twenty-five in paper, and with them he could pay the amount of twenty-five in taxes; and it would have been extremely absurd in him to take the guineas or sovereigns to the collector, who would receive them only as twenty.

The great aqueducts of Italy are at a certain

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level provided with apertures, by which the superincumbent mass of waters is made to flow off when it has attained the height beyond which it might endanger the fabric. So it is with our currency, as long as the necessity of cash payments is rigidly enforced—it always relieves itself from the burthen of over issues by an efflux of specie, effected through the medium of increased demand and prices. If the issue so promotes productive industry at home, as to reduce prices through the medium of increased supply, without any efflux at all of the specie, it can of course be no burthen. But the necessity of cash or bullion payments is the only legitimate and efficient check upon paper issues; and all the systems founded upon the principle of obviating this necessity can be considered as nothing more than *ingenious Utopias;* and it is great folly to suppose that England, or any other civilized nation, can suffer any serious loss or inconvenience from retaining in the cash deposits of its banks sufficient of specie, to enable them to meet all demands upon them. There is no deficiency of precious metals for the purpose; and banks can always supply themselves with enough, if, as they ought, they have always the means and the will to purchase it. People always manage to supply themselves with sufficient for their furniture and ornaments; and a nation can always, and ought always, to have sufficient to

Banks and augment the total currency &c. &c. but he does not think this tended to augment prices Then he thinks more influenced by the circumstances of supply and demand above P 33. 34. 39 58. 59. 60. 61 Not the issue of paper which augmented the currency the country augmented the demand and then prices

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render its paper money at all times freely and readily convertible into specie or bullion.

Money, as an instrument of distribution, may be very properly considered as the measure of the relative value of all other things, at the same time and place. In all civilized nations the value of every thing is measured or estimated in relation to money; and when the value of every other thing is measured or estimated in relation to any given thing, that given thing may very properly be termed the measure of the relative value of the whole. To argue, that there is no measure of *value*, is merely to argue that a term is used without any signification; and, therefore, that no one can presume to attach a sense to it. Such is the term *value* in this proposition. To speak intelligibly of the value of a thing, we must speak of it in relation to some other thing; to what it has cost us, to what we can get for it, to the affection we have for it, to the use we derive from it, to the agreeable recollections associated with it, &c. &c.; but among the sturdy disputants of the schools, *value* like *capital*, is any thing, nothing, or every thing, just as the particular argument or proposition requires.

It has been one of the follies of the present age (and all ages seem to have their peculiar follies) to lament the want of some particular thing, that shall, *at all times and in all places*, bear precisely the same relation to all other things; and to reason

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through folio volumes, that it is and is not to be found—that it is to be found in this thing, and in that thing. M. Say declares, that there are no less than three errors involved in the plain and simple proposition of Montesquieu, "That sove- "reigns ought not to change the standard of their "coins, because nothing ought to be so exempt "from variation as that which is the common mea- "sure of all;" meaning, of course, the common measure of the relative value of all, as the thing in relation to which the value of all other things is compared at the same time and place. It involves these three errors, because money is not that *beau ideal* after which M. Say was in pursuit—that great philosopher's stone of political economy, which must at all times and in all places bear the same relation to all other things!* Perhaps the censures of M. Say on this passage of Montesquieu, were really intended for his contemporary, M. de Sismondi, who has adopted the doctrine that money is the common measure of relative value, "Le numeraire est enfin une mesure commune "des valeurs."†

I shall conclude this long section, by repeating the proposition, that the actual price of every thing in the market is always the highest that can be

* M. Say's Principes, vol. i. b. i. chap. xxi. p. 402. Money, he says, is not the measure of values.

† Nouveaux Principes, Liv. i. chap. i. This work had been published before the fourth edition of M. Say's appeared. But M. Say comes to the conclusion that money is the measure of relative value. Vol. ii. b. ii. chap. iii. p. 33.

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got in the existing state of the demand for the supply actually in the market; as well under the circumstances of free competition, as under those of monopoly; and that every alteration in the price is effected through the medium of an increase or diminution of demand or supply. This will be found a conclusion entirely consonant to the foregoing reasoning on the subject of money, as an instrument of distribution; as an increase of the money actually in circulation is there supposed to increase prices by increasing the demand for the services of men and the produce of their industry. If the above conclusion be just, and I do not think its justice is likely to be disputed, Doctor Smith's definition of monopoly price, "that it is the very highest that "can be got or squeezed out of the buyer,"* is defective, though it has been generally adopted by later writers.† The price of free competition as well as that of monopoly, is the highest that can be got; but there is this difference, that the former is soon raised or reduced to the precise point which those who supply can afford to take, while the latter is not.

Almost at all times and in all places the corn, which is the common food of the labourer, will be found to bear nearly the same relation to the labour of men who may be considered to have nothing

* Wealth of Nations, vol. i. b. i. chap. vii. p. 93. 223. 225.

† Ricardo's Principles, p. 341. 363. first edition.

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or little more than the ordinary and unimproved gifts of nature;* and the labour of such men will bear nearly the same relation to the corn: and if one of these, no matter which, could be shown to bear the same relation to all other things at all times and in all places, it would follow that the other must bear the same. But as neither of them can bear this relation, all attempts to find the *beau ideal* measure of value have not only been fruitless, but extremely absurd.†

* M. Say says, "That in modern times wages stand in nearly the same relation to corn as they did four or five hundred years ago." Vol. ii. b. ii. chap. iii. p. 40. So they will be found in distant places as well as at distant times, provided we consider the wages of common labour in husbandry only.

† In India corn bears nearly the same relation to any manufactured labour as in Europe; but it has a very different relation to money — The difference however between India and Europe in the relation which money bears to corn is not greater than that which money bears to such manufactured labour — The wages of such labour are in India about two pence a day when wheat is on the average 2 pounds for the penny or six pounds a wheat a day — In England the wages of such labour are about one shilling, or six times the amount and wheat sells on an average at about 8 pounds for the shilling Difference in the relation which money bears to corn as one to 4 and 12: in that which money bears to labour one to six The labourer in England will get six times more money, but only one quarter more of corn for a days labour

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CHAPTER IV.

OUTLINE OF A NEW SYSTEM—CONTINUED.

The third portion of the national stock comprises the produce of funds and instruments in its different stages of preparation and distribution, before it has reached the hands of the consumer, or has been set aside for enjoyment, use, or consumption. It must all necessarily be included in the term *capital*, because it is all held or employed with a view to profit; and can therefore form no part of the net revenue or enjoyment of those by whom it is held or employed.* It may be considered to comprise the whole mass of what is denominated the floating capital of the nation, and which intervenes between the funds and instruments of production, and the stores of the consumers. It embraces all the provisions, materials, and finished enjoyments not yet delivered to the consumers; not only all the materials of which the enjoyments themselves are to be formed, but all those by which the funds are to be maintained and preserved in a state of efficiency,

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and the instruments provided, formed, and repaired. Doctor Smith divides the *floating capital* of a nation into four parts, of which three are annually withdrawn to be placed in the *fixed capital*, or to be set aside for enjoyment; and as I have excluded the fourth part, and considered it to be a part of the fixed capital itself, I suppose the whole of the floating capital to be periodically drained and placed in the fixed capital, or set aside for enjoyment. The first part, according to Doctor Smith, is the provisions; the second, the materials; the third, the finished work, not yet delivered to the consumer; the fourth, the money, or circulating medium.*

From this great mass of what I shall call the floating capital, every society is supplied with its net revenue or enjoyments; all its funds are maintained and brought into a state of efficiency; and all its instruments provided and repaired. Supposing that the number and efficiency of its instruments, and the extent and fertility of its funds were to continue the same, the society could annually draw from this great mass, without reducing the quantity, as much as might annually flow into it from the funds and instruments employed; and of the quantity drawn out, as much might be taken for net revenue or enjoy-

* Wealth of Nations, vol. i. b. ii. chap. i. and. ii. p. 415—420. And the characteristic is said to be, that it yields its profits only by changing masters. Vol. i. b. ii. chap. i. p. 417.

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ment, as should be left after maintaining and repairing the funds and instruments of supply. If these funds and instruments should require no portion of the quantity drawn out, for their maintenance and repair, it is abundantly manifest, that society might enjoy the whole. But if any should be made to flow into this great mass or reservoir from extraneous sources, in private incomes or public tribute, drawn from the funds and instruments of distant nations, more of course could be drawn out than what annually flowed in from domestic funds and instruments, or was purchased with their produce from other nations; and of the excess nothing would be deducted for the maintenance and repair of funds and instruments.* Whether this something more would be of any advantage to the nation that received it — whether it would tend to give honest and useful employment to those who have nothing but their mental and physical powers to depend upon, and contribute to the general happiness of the society, and be of any disadvantage to the nation that paid it, will be the subject of consideration in another part of this work.

Though those who labour as instruments in production, preparation, or distribution, are a portion of the national instruments that are to be maintained in a state of efficiency out of the

* This proposition will be adverted to in the second and third books, where I treat of our Eastern possessions.

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great mass of floating capital, and are too often very coldly considered as mere machines, they are an essential part of the society; and what they receive for enjoyment, is a portion of the net revenue or enjoyment of the society, as much as that portion which the proprietors of funds and instruments receive for enjoyment.* The whole, therefore, that is taken from the great mass of floating capital to maintain the instruments employed, is not a reduction from the net revenue. But we do not consider the brute animals as a part of the society, though they also have "suos impetus et rerum appetitus;" and what we take to maintain them must be considered as a deduction from the net revenue of the society, as much as that which is taken to maintain in a state of efficiency the inanimate instruments which have neither impulses nor appetites of their own.

The labourer who works for his wages in a state of freedom is a productive machine, of which he is himself the proprietor. It was formed by his parents out of means employed without a view to a return in profit, for few men find or expect much pecuniary profits from the labours of their children; but the gratuitous gift the man employs with a view to a return in his wages.

* Whether we admit what slaves receive as a part of the net revenue and enjoyment of the society or not, must depend upon whether we consider them a part of the society or not.

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The food and the clothing, necessary to maintain and support him in a state of efficiency, are at once his net revenue and his capital; he at one and the same time enjoys them as his net revenue, and employs them as his capital, to maintain and support the machine of his mental and physical powers. These necessaries embrace not only what his absolute physical wants demand, but all that the rules of decency in the society, of which he is a member, requires that he should have. What he receives as the wages of his labour over and above what may be sufficient to provide him with these necessaries, he may enjoy as a luxury, or he may employ with a view to future returns in profits — he may employ it in the formation or purchase of another machine; or he may employ it in securing directly or indirectly a claim upon one. A cultivator, for example, might employ it in the purchase of another pair of bullocks and a plough; or he might employ it as his revenue in the maintenance of a wife and children, whose society and endearments would be his enjoyment.

But if to the expectation of profits from our ploughs and bullocks, we could add the enjoyments we derive from the society and endearments of a wife and children, they would be liable to increase beyond our means of employing them profitably, and society would in time have a glut of them. Those who had them might still find

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their enjoyments in *their society*, but they would cease to derive profits from their employment. So of ships, carts, steam-engines, &c. &c. God has for wise purposes given us a feeling of enjoyment in the possession of a wife and children, by which the race of rational instruments is preserved, though no man in a state of freedom expects much profit from their employment. Without the expectation or the hope of deriving any pecuniary profit from the rational instruments they may furnish to society in their children, men find a sufficient motive to form and supply them: and indeed we are told, that so very strong and powerful is this motive alone, that *war*, *famine*, and *disease* are necessary to counteract it! But when to this motive which we find in the mere endearments of wife and children, is superadded the hope, expectation, and even assurance of a pecuniary profit from their employment, the supply of rational instruments increases with infinitely greater rapidity. The people of America, having an extensive and fertile soil to receive the application of the mental and physical powers of their rational instruments, could not, with both the *enjoyment*, and the hope, and assurance of a profit from their employment, operating simultaneously as a stimulus, form them fast enough; and were therefore urged to plunder, purchase, or invite them from other countries; while the unfortunate people of Ire-

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land, though they have long ceased to derive or to hope for any profit from these instruments, find, that they form them too fast. Stimulated by nothing but the enjoyment, they form them so fast, that instead of deriving any profit from their employment at home, they beg all surrounding nations to take them from them, gratis, as a special favour.

We learn, however, from what seems to be considered very good authority in England, that the Irishmen formed now are not at all the *same things* as those formed in days of yore, when Irish landlords lived upon their own estates, and superintended the making of them. Now that these great proprietors are occupied in making, or superintending the making of children in Italy, Holland, France, Spain, Germany, England, and every other country but their own, it is *demonstratively proved*, that Irishmen have lost all those mental and physical powers, which, as rational machines, they require! No man will presume to appeal to *facts* with a *demonstration* before him; and we entirely deceive ourselves when we suppose, that we find any mental or physical powers in an Irishman! Nothing can possibly be more clearly demonstrated than this entire loss of powers among the Irish; and though as machines they may find their way into England and other countries, nothing can be more absurd than to suppose, that they can any where be adapted to

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employment. Mr. M'Culloch proves man to be a *machine* — a portion of the national capital, "and as much the produce of labour as any other "machine." * But machines that form a part of the national capital, whether ships, steam-engines, power-looms, or men, must, he proves, of necessity, be always capable of finding equally profitable employment, as long as they are equally well made, and adapted to employment. † But the men of Ireland cannot find employment; and nothing can be more clearly demonstrated, than that they are no longer adapted to employment, having lost their powers in every branch of industry but that of *men-making*. That the Americans find more employment for their men must be because they are better made, since we learn from the same authority, that the extent and fertility of the soil, open to receive the application of their powers, can have no possible influence upon the capacity of a nation to employ labour. ‡ This depends upon a little incomprehensible thing called *capital*, which is to men's hands, what music is to women's and children's feet.

But this entire prostration of strength, both mental and physical, among the Irish, may be

* Principles, p. 92—94. 115. † Ibid. p. 378—380.

‡ Ibid. p. 327. What in the name of God can a wide and extensive territory of fertile soil require to give employment to honest and industrious men, but a sensible government and sensible proprietors? Poor Ireland has neither the one nor the other!

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proved from another great authority in Europe. M. Say considers "a *full grown man* an accu- "mulated capital;" and he also demonstrates, that all capital must always be capable of finding employment.* But Irishmen cannot find employment; and they cannot, therefore, *be full grown men.* The same author *demonstrates,* "that "the loss of every *well and full grown man* is a loss "of so much *capital* to the nation;"† and as Mr. M'Culloch proves, that Ireland loses every year thousands and tens of thousands of men in emigration, and yet loses no capital whatever, it is again *demonstrated,* that Irishmen are not "*well* "*and full grown men.*" We see, or at least *the women* see, very handsome and well-formed sons of Erin; but we are liable to be much deceived by our senses; and their evidence ought never to be opposed to a demonstration of the Ricardo school! They are really all diminutive in body, and imbecile in mind — there can be no doubt of it!

But not to treat a serious subject with too much levity, the only moral checks we have to this glut of rational instruments, arising from the enjoyment we derive from the possession of a wife and children, is to be sought in two other selfish feelings, as Malthus and Sismondi have sufficiently shown. The desire to enjoy the so-

* M. Say's Principes, b. ii. chap. vii. sect. iv.

† Ibid. b. ii. chap. xi. sect. i.

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ciety of a wife and the endearments of children is, no doubt, a selfish feeling; but when God told us "to increase and multiply," he knew that the frailty of our nature was so great, that without giving us enjoyment in the discharge of this duty, we should neglect it, as we neglect all others from which we expect neither pleasure nor profit. The feelings by which the indulgence of this is kept within due bounds, are: 1st, the desire to enjoy, or accumulate, [illegible] what a wife and children would enjoy or consume: 2nd, the aversion to see those who must necessarily be above all dear to us, exposed to want, or to the humiliation of descending in the scale of society. Where men are in the lowest scale already, they have nothing to apprehend for their children but absolute want; but where men have raised themselves, or have been raised above this scale, they have some thing more to dread. "La pauvreté, c'est à dire, pour chaque condi-"tion, une degradation du rang ou l'homme qui "va choisir a vecu, est un mal bien réel, bien "connu, et au quel il n'exposera pas volontière-"ment les êtres qu'il aime, si'l cherche son bon-"heur dans la sympathie; au quel il ne s'expos-"era pas lui meme s'il veut assurer son bonheur "par l'egoïsme." *

In the formation and maintenance of the brute and inanimate instruments of production, pre-

* Nouveaux Principes, Liv. vii. chap. i.

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paration, and distribution, there is no peculiar enjoyment; and we no sooner cease to expect a profit from them, than we cease to form and maintain them; but in the formation of our rational instruments, we have a peculiar enjoyment; and though we cease to expect any pecuniary profit from them, we do not cease to form them. When children cease to find that profitable employment at home, which might enable them to contribute something towards the support of their parents, they are sent into distant countries; and when in these countries they cease to have it in their power to send home any portion of their earnings, or any tokens of their grateful recollections and filial piety; when they cease to have any hope of returning to the bosoms of their families, we still form and send them into distant exile! Even the less selfish feeling of aversion to see those who are necessarily so dear to us, reduced to live in want at home, or in exile abroad, is but a feeble check to the operation of that which tends to the multiplication of our species; and societies, therefore, are reduced to depend a good deal for support upon a check altogether selfish, the desire to enjoy, ourselves, what a family would require to maintain it. "Lorsque l'on prend une femme, lorsque l'on "compte trouver le bonheur dans son affection, et "dans cette de ses enfans, on a besoin aussi de "voir heureux ces etres qu'on verra dependre de

"soi. Les plaisirs de la vie conjugale et de la "paternité, ou la sympathie, appellant l'homme "au mariage; les besoins, la crainte des priva- "tions, *ou l'egoisme*, le determinent a vivre seul. "Il tient la balance entre ses affections tendres, "et le soin qu'il prend de lui même," * &c. &c.

But to return from the consideration of the rational instruments to that of the great reservoir of floating capital, which they supply by their labours, if, in a society that depends entirely upon its own domestic resources, more be periodically taken for enjoyment than what the funds and instruments annually supply, over and above what they themselves require to maintain themselves in a state of efficiency, this great reservoir must gradually diminish, and become in time exhausted. We must exhaust it, either directly, by taking from it more than what flows into it; or indirectly, by taking for enjoyment a portion of that part which is required to maintain the quantity and efficiency of the funds and instruments, thereby diminishing annually the stream which flows in. Suppose a society provided exclusively by rational instruments in a state of slavery (and this was nearly the case with that of Sparta), if people draw out for enjoyment from the accumulated store of produce more than periodically flows into it, it must of course soon become exhausted; and it would also soon be-

* Nouveaux Principes, Liv. vii. chap. i.

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come exhausted if, drawing out continually the same quantity, the free men took a portion for their own enjoyment of that which was necessary to maintain the slaves, and thereby diminished either their number or efficiency. Less and less would flow in, while the same quantity would be continually drawn out, till the great store disappeared.

If less be periodically taken from this great reservoir for enjoyment than what the funds and instruments periodically supply, over and above what they themselves require to maintain them in a state of efficiency, the surplus must either be left behind in the great mass to accumulate, or it must be taken and invested in the funds and instruments to augment their number and improve their efficiency. If it be left in the great mass, there must be stagnation and glut; because it must be left in the possession of those whose incomes and subsistence depend entirely upon its being sold for consumption, as their wages and profits must be paid by those who draw it out for enjoyment or consumption, or be not paid at all. If no one will draw it out for enjoyment or consumption, it is manifest that they can neither have profits nor wages. It must be, in some stage or other of its progress, with the instruments or the proprietors of instruments employed in the production, preparation, or distribution of it; and if not drawn out for enjoy-

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ment or consumption with one or other of them must it stagnate.

If we continue to drain from the great mass, but refrain from enjoying the whole of what we take out, in order to augment the number and improve the efficiency of the funds and instruments, there must be in time glut and stagnation, either in the instruments themselves, or the produce which they supply. A glut of inanimate instruments might be no great evil in society, as play things might be made of them; nor would, perhaps, a glut of brute animals be a very great mischief, as we could easily eat or destroy them, when they became inconvenient, though they also have "suos impetus et rerum "appetitus;" but when there is a glut of rational instruments, we can neither *eat* nor *destroy* them, unless we revert to the good old times of Plato and Aristotle, when *philosophy* prescribed *murder* as a very good remedy for such an inconvenience! When invested in funds and instruments it must, as in the other case, though in a different form, be still left in the hands of those whose incomes and subsistence depend upon the employments of these funds and instruments; and that employment which consists in pouring into the great reservoir a continued supply, must necessarily depend upon a steady drain from it for enjoyment or consumption.

We retrench in our immediate enjoyments with a view to secure, directly or indirectly, a

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claim upon the annual returns of some fund or instrument. We form instruments and funds ourselves — breed bullocks, make ploughs, and bring lands into tillage from an unappropriated waste, like the people of America and New Holland, for example, or we lend the means of doing it to some other people; and we thereby secure a claim upon them directly — or we lend these means to the Government, or to some third person who has a claim secured upon the proprietors of funds and instruments; and, thereby, we secure our claim upon them indirectly. These funds and instruments supply to the great reservoir, besides what is sufficient for their own support, a certain quantity for enjoyment; and what we retrench in our share of this quantity, and lend to others with a view to secure a claim upon their returns, is either enjoyed by them or invested in funds and instruments. If it be enjoyed by them there is in the aggregate nothing at all saved — what we have added to our future incomes by present sacrifices, others have reduced from theirs by present enjoyments. What has been saved and employed productively by some, has been consumed unproductively by others. The landlord, for example, may forego the enjoyment of that portion of the annual returns which is due to him as rent, and lend it to the farmer ostensibly to enable him to provide more instruments for the cultivation of his farm; but the former may spend it all in

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marriage feasts. He has the same funds and instruments employed in the same state of efficiency; and they give him the same annual returns; but upon these returns he has now incurred a claim for interest, superadded to all the claims that had before been secured upon them. His future income is diminished in proportion as that of his landlord is increased; and though his landlord has employed his savings profitably, as far as regards himself, he has not employed them profitably as far as regards the society in general — whether he or the farmer enjoys the means is a matter of indifference to the society in general, as long as they are enjoyed in the same manner. Were our Indian Government for the next three years to lend to the farmers and cultivators all the rent demandable from them, according to existing engagements, the probability is, that nine tenths of it would be spent in marriage feasts; and the merits of that Government should always be sought in a judicious expenditure of what is levied from the people, and not in the smallness of its impositions.

But, if what we save and retrench from our immediate enjoyments, be added to the quantity and efficiency of funds and instruments, a provision is made in the increase of their annual supply for the fulfilment of the claims we have secured upon them. In proportion as we have saved they have increased the stream of their

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annual supply to the great reservoir. But if we all continue to save and lend with the same view —if, in order to do so, we limit our enjoyments to the absolute necessaries of life—we shall none of us drain from this great reservoir any thing but the absolute necessaries of life. If we drain any thing more from it, it can only be with a view to invest it in these funds and instruments. But no other funds and instruments would be employed to pour in their annual supply than those whose supply we continued to drain out; and we should continue to drain out only the simple necessaries of life for our own enjoyment, and the materials we required to form and maintain the instruments that supply them. All the funds and instruments which supply our luxuries and conveniences would cease to be employed; and, consequently, cease to be formed and maintained; and thus society, by a system of saving and retrenchment would be brought back to *its primitive state of agricultural simplicity.**

* M. Say says, that what the rich spend in conveniences, luxuries and elegancies, deprives the poor of their necessaries—it is a portion of value, which, given to *productive labour*, would employ those now left idle; and the gold buckles and fine clothes he wears, deprive the labourers of *shirts*. Vol. ii. b. iii. chap. v. p. 266. This is very idle reasoning! Are not labourers enabled to buy their food and their shirts out of the wages they receive for making and providing the buckles and clothes? and if no man would wear the clothes or the buckles, would these not cease to have value in exchange; and to give any man the ability to buy the produce of another man's industry? Is it not for the most part the very labour, which he supposes unemployed, that gives the value to the buckles and clothes, or the wages paid for it? And if no labour had been employed upon them, would they have any value at all? If societies were to adopt his

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As we refused to enjoy what instruments could be made to provide for our enjoyment, we should at last be constrained to enjoy the instruments themselves. All our commercial and manufacturing industry and wealth would by degrees disappear; and England would become a nation of Brahmins or Spartans. Spain, as I have already stated, reduced herself to the necessity of enjoying her instruments instead of what they could have been made to produce, not by refusing to enjoy, but by having nearly all that was required for enjoyment purchased from the funds and instruments of other nations by the precious metals drawn in public tribute and private incomes from her American possessions; and had Spain, instead of *caging her men up in convents*, employed them in her armies, she might have been mistress of the civilized world. Rome was reduced to the same necessity by the same means, of public tribute and private incomes, drawn from distant possessions. The great mass of the people in such states can have no independent claim upon the public tribute and private incomes drawn from such possessions—they must depend upon the employment of their mental and physical powers for subsistence; and their subistence must be at the disposal of those few who have these claims. In Rome the few

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system of retrenchments, they would at "one fell swoop" annihilate the greater part of their material and intellectual stock, their substances vested with exchangeable value, and their wealth!!

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employed the many in civil broils—in Spain they employed them in prayers and religious processions. The one lost the world; and the other lost the opportunity of acquiring it. England has not yet had the wisdom to see and profit fully by the errors of both.

It has happened, as I have already said, in political economy as in religion and philosophy, that the truths which emanate from a great mind have been neglected and forgotten, while the errors have been seized on with avidity and made the foundation of sects, schools and systems. The conclusion, that the employment of the people depends entirely upon the accumulated *capital* of society, is founded upon some few errors in the great work of Doctor Smith. These errors arose from accidentally confounding *universal* and *particular* terms. As the conclusion is of great practical importance, and as its truth, like that of many other conclusions of equal importance, seems to be admitted without any careful examination of the grounds upon which it has been formed, I venture to hope, that the reader will give me his attention, if I treat the subject at some length.

Doctor Smith considered capital to be that portion of the national stock, which is employed, or is held to be employed, with a view to a return in profits; and to add a value in exchange to something from which that return was to be paid; and

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he considered that labour to be productive, which adds such value in exchange to the object upon which it is employed. Capital could, therefore, pay the wages of such labour only, as should be employed with a view to a return in profit, and to add value in exchange to the object upon which employed; and *revenue*, or that portion of the national stock, which is employed without any view to a return in profit, must pay all the rest. This revenue employs the people it maintains, unproductively of profit to the employer, and of value in exchange to the object upon which employed. But the *greater part* of the *useful labour* of every society is employed in giving profit to the employer, and adding value in exchange to the object upon which it is employed; and it is, therefore, employed by capital in this sense of the term. The conclusion of Doctor Smith, "that it "is the stock which is employed with a view to "profit, that puts into motion the *greater part* of "the *useful labour* of every society," * is strictly and indisputably true. It is affirmed that capital employs a *part* of *a part* of the labour of every society.

But there is much labour employed in every society, that is not, in Dr. Smith's sense of the term *usefully* employed; and much labour very usefully employed that neither adds value in exchange to the object upon which it is employed.

* Wealth of Nations, vol. i. b. i. chap. ii. p. 396.

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nor gives any returns in profits to the employer. As an instance of the first, I may mention the tens of thousands employed in India, in carrying on their backs the waters of the river Ganges, from its embouchure in the mountain snows, to all those districts through which the river flows to the sea, as well as to those through which it does not flow. Wealthy individuals employ and maintain them, and with the waters they bring they wash their idols.* As an instance of the second, I may mention the thousands now employed, and the tens of thousands or millions formerly employed, in excavating reservoirs, forming bridges, quays, &c. and planting groves and avenues of fruit trees. These were, unquestionably, very usefully employed; but they neither added value in exchange to these objects, nor gave profit to the employer. Instances in abundance from the system of society in Europe will suggest themselves to my reader. It is therefore abundantly evident, that if we affirm that capital, in this sense of the term, pays all the labour, or all the useful labour employed; or that all the labour, or all the useful labour of society is employed by capital, or depends upon capital for employment, we affirm *what is not true.*

If I use the term *capital* in the sense in which Dr. Smith uses it, that is, a particular term, signi-

* We may add, the Brahmin Priests employed in these temples, and the monks of Spain, Portugal and Italy might have the honor of a place.

I shall by and by propose a tax upon these late Caribees not only with a view to increase the Revenue but to prevent those Gang Robberies which are every where throughout the Country by men assuming their Character

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fying that portion of the stock which is employed with a view to profit; and affirm, that it employs or pays all useful labour, or all labour,—I violate an essential rule of logic, which requires that the terms shall never be taken more universally in the conclusion than they are in the premises. I take the term as a particular in the premise, as only a *part* of the national stock; but in the conclusion, I take it as an universal, signifying the *whole* of the national stock. Dr. Smith has in some few parts of his great work inadvertently committed this error; and later writers have assumed these errors as truths, to disprove his most just and most important deductions. He has sometimes taken the term *capital* to mean "the "funds destined for the maintenance of *productive labour*;" and sometimes to mean "the funds de- "stined for the maintenance of *all labour*;" and it has therefore been sometimes taken in one sense in the premise, and in another in the conclusion. For example, he says, "capital employs the "greater part of the useful labour of every so- ciety."* In another place, "capital employs *all* "the useful labour, &c. &c."† In a third place, he says, "The portion between capital and reve- "nue regulates the proportion between industry "and idleness in every society."‡ In the first proposition the term is strictly limited, and the

* Vol. i. book i. chap. xi. p. 396. † Vol. ii. book ii. chap. iii. p. 9—12.
‡ Vol. i. book i. chap. ix. p. 141.

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conclusion just; in the second, it is made more general, and the conclusion is unsound; in the third, capital is assumed to pay and employ all the labour, and is an universal term, and the conclusion is still more unsound. Again he says, very justly, that when the efficiency of the men employed is the same, the quantity of produce they supply is in proportion to the number *usefully* and *productively* employed; but the second term of this proposition, that the number of men usefully and productively employed, is in every society in proportion to the quantity of capital stock employed in setting them to work, is altogether unsound; the proposition involves a fallacy, and the conclusion is erroneous.* A great part of the stock employed in maintaining *useful* labour, is in every society employed, not as *capital*, but as *revenue*, without a view to profit. The man who forms a canal, a bridge, or a quay, or a church to bestow gratuitously upon the society, forms as useful a work, and employs labour as usefully, as the man who makes one to sell. The fallacy of the proposition consists in confounding the terms *useful* and *productive*, when productive means merely productive of profits to the employer, and exchangeable value to the object.

Sir James Steuart has justly observed, "that "we sometimes substitute a complex term in one "sense and sometimes in another; and draw con-

* Wealth of Nations, Introduction, vol. i. p. 3.

clusions as if it expressed a fixed determinable "idea;" and nothing has, I believe, been a more fruitful source of error and perplexity in the science of ~~political~~ economy. When Mr. M'Culloch argues, that the employment of the people of Ireland depends entirely upon capital; he uses the term as an *universal*, including all that he assigns to it in his definition: "Every thing in the na-"tion, that can either directly contribute to the "support of man, or assist him in his labours, "without regard to whether it does or does not ac-"tually so contribute."* But when he affirmed that the Irish absentees take no capital from Ireland, he reduced the term to a particular, signifying only that portion which is employed with a view to a return in profit to the employer. The conclusion, that they take nothing from Ireland on which the employment of the people depends, is therefore manifestly unsound.† If in the second term of the proposition we understand capital to mean what it means in the first, the affirmation on the truth of which the conclusion depends, must necessarily appear to us untrue; because he admits, that they take some millions a year in food and clothing, and these can both be made to "con-"tribute to the support of man."

What we can with truth affirm of the genus, we ought to be able to affirm with truth of the spe-

* Principles, p. 92. to 115. Vide chap. p. 94-95. of this work.

† See his paper in the Edinburgh Review, No. 85, article Absentees.

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cies and individuals; but that may with truth be affirmed of the individuals and species, which cannot with truth be affirmed of the genus. To affirm of the genus, what cannot be affirmed of every individual, merely because I can affirm it of *some* individual, and wish to affirm it of others, is fallacy. For example; I want to affirm of my friend's *black spaniel*, that he is white; and I begin by saying, "My dog is white; he is a pointer "— pointers are therefore white. Pointers "are dogs — dogs are therefore white. Your "spaniel is a dog — he must therefore be white." This process of reasoning would no doubt appear to my friend very absurd, and very nearly allied to Locke's definition of madness; but it would be hardly more so than much of the grave reasoning of political economists. It is more obviously so, merely because the terms used are more clearly defined, and better understood.

It cannot, for example, be affirmed of capital, as an universal, in the sense in which Mr. M'Culloch defines the term, that it necessarily pays and employs labour, or that labour depends upon it for employment, because the same cannot be affirmed of some of the individuals and kinds, that compose the universal term. Steam and gas-vacuum engines, power looms, &c. &c. instead of giving employment to men, may supersede their employment. If mankind would continue to enjoy only the same things in the same quantity, every one of these

instruments must send a number of men who have nothing but the employment of their mental and physical powers to depend upon for subsistence, out of the world, or at least out of the country in which they were made to operate; unless we should be content to employ them as they do in Spain, or as they did in Rome. There are many articles of capital which add nothing to the mass of employment for labour, and on which that employment does not in any degree depend; but on this subject, let the great advocate for capital speak for himself. The employment of labour depends altogether upon the accumulation of *capital*.* But it does not depend upon the accumulation of *fixed capital*, only upon that of floating capital†; but it does not depend upon the accumulations of *all* the parts of floating capital, only upon that part which consists in clothing and provisions for the labourers.‡ But the provisions for the labourers are of all the parts of floating capital the most perishable, as "a granite quay may be considered of all parts of the fixed capital the most "durable."§ So very perishable are these provisions, on the accumulation of which the employment of labour entirely depends, that they will not admit of accumulation, and are, consequently,

* M'Culloch's Principles, p. 96. 102. 104. 111. 327.

† Principles, p. 183, 184. ‡ Principles, p. 199. 327. 329. 377.

§ Ibid. p. 247.

nowhere accumulated. The employment of labour must, therefore, depend exclusively upon the accumulation of a thing that admits *not* of accumulation, and is nowhere accumulated. I quote Mr. M'Culloch not as the founder of a system, but as the expounder of a system already founded. He merely follows Mr. Ricardo, who had adopted Dr. Smith's errors in preference to his truths. Dr. Smith had, incidentally, declared the employment of labour to depend upon the accumulation of what admits not of accumulation, — upon that part of floating capital exclusively which he acknowledges to have no durability. He declares, and Mr. Ricardo and Mr. M'Culloch follow him in the declaration, that this employment depends in no degree whatever upon the only part of the floating capital that has any durability, *money;* and of every other part, or nearly of every other part, *the annual supply is equal or nearly equal to the quantity in use.**

If there be any truth in my reasoning, and the proofs of its truth are drawn from the admissions and affirmations of those whose doctrines I dispute, capital, as an universal or general term, could be considered to have the employment of the people depending upon it, merely upon the ground, that their subsistence and employment depended upon one of its component parts, that

* Wealth of Nations, vol. i. book ii. chap. i., ii. p. 418, 419. 434. 440. 427.

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is, the provisions of the labourer. To argue, that the employment of labour depends exclusively upon capital, because it depends upon subsistence, and subsistence is a part of capital—and that it depends upon steam engines and power looms, because they also are a part of capital, is just as absurd, and is indeed the same thing, as to argue that my friend's black spaniel is white, because my pointer is white. If employment depends upon subsistence, it depends as much upon that subsistence which a gentleman gives for labour in his park and in his flower-garden, as upon that which his farmer gives for labour in his fields.

But we may refer to the great work which Mr. M'Culloch has considered "as *more original* "than the Wealth of Nations, *and equally profound.*" Population is regulated by the funds destined to maintain and employ the people. Capital is those funds; it must therefore be regulated by capital.* The rent of land must be regulated by the population, but the population is regulated by capital; the rent of land must therefore be regulated by capital.† Where the lands are fertile, capital may increase faster than the population, more rapidly that labourers and people cannot be had to keep pace with it.‡ In all these arguments one might suppose that nothing more was meant by the term *capital*

* Ricardo's Principles, 1st Edition, p. 560.
† Ibid. p. 68. ‡ Ibid. p. 98.

than subsistence; but it would appear otherwise, as Mr. Ricardo says, "Mr. Malthus supposes "that population is increased by a previous pro- "vision of food; but it is not abundance of food "that raises up demanders, but abundance of "demanders that raises up food; and these de- "manders are raised up by *capital*."* Nothing can be more absurd than such reasoning. What Mr. Malthus had affirmed of *food*, Mr. Ricardo denies, and says can be affirmed only of *capital*, by which term he can mean only the same thing in all the propositions in question.† All these perplexities arise from a desire to found a system upon the accidental errors of the great father of the science.

It will perhaps appear to the reader, as it does to me, that the whole of the doctrine, that employment depends upon capital, resolves itself into this plain and simple proposition, that the subsistence of a people depends upon the quantity of the necessaries of life available for their subsistence; and that those who have no other claim upon the available necessaries of life than what the employment of their mental and physical powers may give them, must depend for their subsistence upon those that have. Those who have the command of those necessaries, may employ

* Ricardo's Principles, p. 560, 561, 562.

† Mr. M'Culloch uses "means of subsistence" and "capital" as convertible terms, p. 377.

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those who subsist upon them, either profitably to themselves, unprofitably to themselves, but usefully to others, or uselessly to all; or they may maintain them in idleness. They offer the use of their mental and physical powers in exchange for subsistence; and the mode of employing them is left to the views, tastes and intelligence of those to whom they are offered.

When Dr. Smith attributes such beneficial effects to the national employment, from a general disposition to save and retrench from immediate enjoyment, in order to employ what is saved as capital, with a view to a return in profit, he is reasoning upon his own accidental errors, as established truths and admitted principles. The following conclusions are always assumed as truths by him, and by all those who have followed him in the same arguments. Firstly; *Capital only* gives employment to labour. Secondly; Every saving in expenditure, is added to capital; and, therefore, puts into motion an additional quantity of industry. Thirdly; What is annually saved is as regularly consumed as what is annually spent, but is consumed by a different set of persons.* Enough has, perhaps, been said, to [illegible] that the first of these conclusions is unsound, that the proposition in which it is assumed, as a truth, for a premise, involves a fallacy; and that the conclusion deduced cannot be just. Doctor Smith has

* Wealth of Nations, vol. ii. book ii. chap. iii. p. 4.

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himself proved, that the employment of labour depends upon that portion of the floating capital which consists of food and clothing for the labourers, with whatever view it be drawn out and employed by those who command it.* It is capital while it remains in the great reservoir; that is, in the hands of those occupied in the supply; but when it is drawn out, it is or is not capital, just as the person who draws it out may employ it; and whether he subsists and clothes with it people employed for his profit or his pleasure, he equally employs labour; for his profit, he may employ them in weaving lace; for his pleasure, he may employ them in building a palace, a church, a college or an hospital. In this conclusion, as I have already shown, the term capital is used as an universal, comprising all the stock and subsistence of society; whereas in his general reasoning, Doctor Smith defines it to be a particular term, signifying that portion which is employed with a view to profit, and which pays the wages of *a part of a part of the whole* labour of society.

In the second conclusion, it is used as a particular term, in the sense in which he generally employs the [illegible] is involved in the proposition, and the conclusion is unsound. He supposes that what we retrench from our expenditure for *enjoyment*, we add to that for *profit*, and this we *may* do; but when in the conclusion he affirms,

* Wealth of Nations, vol. i. book ii. chap. i., ii. p. 418 to 440.

" that every such saving must put into motion an " additional quantity of industry," the term is taken in a larger sense in the conclusion than it is in the premise. For example, suppose that this year I employ a thousand men upon a canal, without any view to profit, merely for the gratification of employing them honestly and usefully, and from the desire to give society the gratuitous benefit of a good work; but that next year I take a saving fit, and employ this portion of my revenue as capital, making those who require to use my work, refund to me the amount of the subsistence I gave these people—I have added nothing to capital as an universal term; because the same thousand men are employed out of the same quantity of subsistence, upon the same thing. I have, therefore, added nothing to the aggregate quantity of labour employed in the society. But I have added to the capital, as a particular term, implying that portion of the subsistence, which is employed with a view to profit; and I have added to the quantity of labour employed with that view, by taking precisely the same quantity from that employed for my pleasure. I have added to capital; but I have *not* " put into motion an ad- " ditional quantity of industry."

But we *may not* be able to add to capital, even as a particular term, what we save and retrench from our expenditure for enjoyment; and if we cannot, we diminish instead of increasing the ag-

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gregate amount of employment by such savings. Doctor Smith has himself shown, and it is one of his great truths, too much neglected in the love of his errors, that all which periodically flows into the great reservoir of *floating capital* from the *fixed capital*, or the funds and instruments of supply, must be periodically drawn out for consumption; * and he shows, that one portion is drawn out for consumption in enjoyment, as net revenue; and the other portion for reinvestment in funds and instruments, that is, the fixed capital. But of what is drawn out, that only can be usefully or profitably reinvested in these funds or instruments, which is adapted to their formation, maintenance, or repair; while the things, the enjoyment of which we forego with a view to profit, are precisely the things that are not so adapted. We do not retrench in the necessaries which the rules of decency require that the labourers should enjoy, and we therefore save nothing for them: we do not retrench in any enjoyment that we could give our plough-bullocks or cart-horses; nor in any thing that we could convert into manure for our lands, or materials for our carts, looms, or workhouses. We retrench in our luxuries and elegancies; and as these are not adapted to investment in funds and instruments, they would not be drawn out from the great reservoir at all, if

* Wealth of Nations, vol. i. b. ii. chap. i. p. 418.

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we did not refuse to draw them out for enjoyment. They would be left in the great mass of floating capital; and Doctor Smith himself proves, that they could not be long left there without glut and stagnation.

The second conclusion is therefore unsound; and in its error is involved that of the third,—viz. that what is annually saved or retrenched from enjoyment, is as regularly consumed, as what is annually spent or enjoyed; but is consumed productively. If we were to forego the use of our tea, sugar, wines, lace, ribbons, silks, stockings, cutlery, furniture, and ornaments of all kinds, we should very soon find, that the stock in hand would stagnate in the hands of those now employed in providing those enjoyments, and be consumed very *unproductively* of *wages* or *profits* to them.* Our Spartan and Brahmin system might produce a good deal of simplicity in our enjoyment, but would produce little of wealth or employment to the people. No one will, I think, doubt the hypothesis, however paradoxical it may at first sight appear, that the people of Ireland have long been and still are, saving and

* From page 390 to 402, Mr. M'Culloch argues for the necessity of consuming luxuries in enjoyment; but in page 414, he argues for investing them all in machinery. "We cannot increase demand for labour any other way than by increasing *capital*; parsimony increases capital, and therefore increases the demand for labour." If men can form their luxuries into machines, and will give these machines in playthings to their children, it will, no doubt, do just as well for employment as eating, drinking, and wearing them.

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retrenching too much from their enjoyments, in order to accumulate *capital*, in the number of their rational instruments, which every man seems disposed to admit to be a very important part of it; and those instruments want employment merely because those who command the means of their subsistence will not enjoy any thing that they can supply or impart, but will rather employ the rational instruments of other nations. They have not only retrenched upon the *luxuries*, *comforts*, and *conveniences* of life — they have not only retrenched upon those *necessaries* which the rules of decency in other societies require, but upon those which their own physical wants demand, in order to accumulate these rational instruments, which form *the most important part of the capital* of every nation! They have long accumulated them too much to derive, or to expect, or even to hope, any profits upon their employment; but they still save and retrench from their immediate enjoyments in order still further to accumulate them — as the Venetians and Dutch continued to save and retrench in order to form ships, when they could no further find employment for them. Had that enormous portion of the Irish population, who have nothing but the employment of their mental and physical powers to depend upon, enjoyed in their own persons what the employment of their own powers gave them, instead of saving and invest-

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ing it in that part of the fixed capital which consists in "*human machines*," as labourers have done in England, they would, unquestionably, have been more happy.

The supply of this part of the fixed capital of Ireland being so disproportionate to the demand, the profits upon its employment, that is, wages, are necessarily very low; and the disposition to save, to invest in this part of the fixed capital, and still further to accumulate it, must tend continually to reduce it still lower. If there be any truth in this, it will seem strange to those who have heard it proposed, as the only means of relieving the distresses of the country, to send over ship loads of *steam-engines and power-looms* from England, to assist the Irish "human machines" in finding employment. Food and clothing it cannot be supposed that they want, because the *philosophers*, who propose to send them millions of English *capital*, admit that England and other countries take away in these things three or four millions a year as tribute from Ireland, without depriving them of one particle of any thing upon which the employment of the people depends. Money they cannot want, because the same sect of philosophers prove, that this is a part of the capital upon which the employment of the people in no degree depends: if Ireland wants capital at all, it must therefore want it in steam-engines.

But the fact is, that the employment of the

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people usefully in no country depends upon the accumulation of what is commonly termed capital; and that they have been employed usefully, as in Egypt under the Pharaohs and Ptolemies, and in Israel under David and Solomon,* with little or no accumulation of any such thing. Egypt, when in seven years of plenty she provided for seven years of famine, had as much of the subsistence of the labourer as the most civilized nation of modern Europe; and the useful and judicious employment of the people depended upon the good sense of those who commanded that subsistence, whether they employed it as revenue or as capital. It is only incidentally that Doctor Smith ever affirms, that the employment of the people depends exclusively upon the accumulation of capital; nor is it the general tendency of his reasoning to prove it; but it was his object to show, that an accumulation of capital was necessary, not so much to the actual employment of the people, as to the subdivision of their labours; † and he shows, that even the subdivision of labour depends more upon the consumption and demand, than upon the accumula-

* David and Solomon employed their people, not by their capital, but by their revenue, in building temples. Leopold, Grand Duke of Tuscany, expended, out of the revenues of his little territory, three millions upon his roads, to the great benefit of his country; while Don Philip, Duke of Parma, could not, out of the resources of his, afford twenty-five thousand, to make a river navigable from Parma to the Po. Young's Travels, vol. ii. p. 254. 256. Was the defect in the *capital* of the country, or in the *head* of the prince?

† Introduction to Wealth of Nations, vol. i. b. ii. chap. i. p. 403.

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tion of capital.* Of that part of the floating capital upon which the employment of the people is said to depend, the annual supply is in almost every country nearly equal to the quantity in use; and there is, consequently, scarcely in any country an accumulation. I will venture to affirm, that there is not at this moment in the richest manufacturing district in England, a greater quantity of the necessaries of the labourer compared to the annual supply, than in a district of India, where the industry is confined for the most part to agriculture. Where the material enjoyments of the people are greater and more varied, the quantity accumulated must be greater; but the annual supply is commonly greater in the same proportion; and the ratio between them remains the same. A greater accumulation is indeed necessary, in proportion as industry and enjoyments are more limited and confined. Where there is by the extension of industry a greater variety of food, calamities of seasons destroy less, and render accumulations less necessary, to provide against them. Where extended industry has given a great variety of luxuries and superfluities, they are easily made to supply from other parts, the food which calamity of season may have rendered deficient in any particular part; but where industry has not extended, people are reduced to the necessity of providing

* Wealth of Nations, vol. i. b. i. chap. iii. p. 26.

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against these calamities by their own accumulated stores.

The accumulations by which the wealth, strength, and happiness of society are promoted, are in the fixed capital, or that portion upon which the employment of the people is not supposed in any degree to depend: in the improved powers of the rational instruments, and the augmented quantity and efficiency of the funds and inanimate instruments. In proportion to its territorial extent, England has, perhaps, accumulated more of these things than any other nation in the world, ancient or modern; but with all these accumulations, there are perhaps few nations in the world where the employment for those who have nothing but their mental and physical powers to depend upon, is more precarious. It was not a disposition to save and retrench from enjoyments, that extended industry in Europe, as may be shown from the great advocate for saving and retrenchment himself. It was a change of tastes, from the enjoyment of the *instruments themselves*, in idle and licentious masses of retainers, to that which those instruments could be made to produce for enjoyment. Before industry extended beyond the cultivation of the soil, those subsisted upon the surplus produce were at the command of the great proprietors of the land; and had these great proprietors never consented to enjoy what merchants

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and manufacturers could make these people supply by their labour, they could never have been taken from their command. It was precisely because their disposition to enjoy and consume kept pace with the disposition of merchants and manufacturers to save and accumulate, that the command of the instruments was transferred from those who enjoyed them in personal attendance, to those who employed them in providing enjoyments. "For a pair of diamond buckles, perhaps, or for some thing as frivolous and useless, they exchanged the maintenance of a thousand men for a year, and with it the whole weight and authority which it could give them."* "Having sold their birth-right, not like Esau for a mess of potage in a time of hunger and necessity, but in the wantonness of plenty, for trinkets and baubles, fitter to be the playthings of children than the serious pursuits of men, they became as insignificant as any substantial burgher or tradesman in a city."†

The instruments in men and their food were not necessarily more saved and accumulated after than before this great change in the constitution of societies. The men were converted, from being in themselves enjoyments, into the instruments for producing them. Instead of attending the great barons in their sports and their broils,

* Wealth of Nations, vol. ii. b. iii. chap. iv. p. 125.
† Ibid. vol. ii. b. iii. chap. iv. p. 129.

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they brought them trinkets and baubles; and laboured in peace under a sober and unsporting merchant or manufacturer, who, in exchange for these trinkets and baubles, got from the great barons their food. Had the great barons preferred their sports and their broils, the merchants and manufacturers would not have had the command of the instruments; because those who had the *means* would not have had the *will* to purchase for enjoyment what they could have been made to produce.

It is not so much the accumulation of capital, that is necessary even to the subdivision of labour, as the concentration of it; nor is it so much the concentration of *capital itself* that is necessary to this subdivision, as the *concentrated command of it;* whether that command consists in money, good paper, or good credit. The subdivision of labour requires that men should work in concentrated masses, and that the means of maintaining them and providing them with instruments and materials should be concentrated in the hands of great farmers, great merchants, or great manufacturers. Their so working in masses causes a greater flow of material enjoyments into the great reservoir, and a greater drain out; but the annual supply bears the same or nearly the same ratio to the quantity in hand; and there is necessarily no greater accumulation. What is annually produced, is in the same manner, or nearly

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the same manner, annually consumed; and the only difference is, that instead of ten thousand men going to draw every one his particular part, ten men, or ten hundred men, draw for the whole. As the human instruments were themselves enjoyed in great masses by our feudal lords, so they are now employed and maintained in masses by great merchants and manufacturers. The spirit of aristocracy is preserved, though our tastes are changed.

The *capitals* of these members of the commercial and mercantile aristocracy of modern Europe are not, as is supposed, *accumulated masses;* they are the accumulated claims upon the annual returns which flow into the great mass of floating capital from the fixed capital, or the funds and instruments; and these claims may be expressed in specie or paper. When men work thus, in concentrated masses, their labour becomes aided by complex machinery, and large works are required for their accommodation and convenience distinct from their ordinary dwellings; and these and the other articles which compose the mass of fixed capital, are the only portions of the national stock which are either much accumulated, or admit of much accumulation in any nation. And even of the instruments used in manufactures and commerce, how few are durable, and admit of much accumulation? How many of those which retain their powers and properties the longest,

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soon lose the value of these powers, from a change of tastes, or from the invention and discovery of other powers, more efficient to the same end; and cease to fulfil the claims directly or indirectly secured upon them? It is almost exclusively in the great instruments of production and distribution, that the value of accumulations are permament, or of long duration — drains, embankments — new soils, canals, roads, bridges, quays, and other great works, by which the fertility of funds is improved and made available, and the distribution of our enjoyments is facilitated, and which retain their powers and the value of these powers for ages.

In the progress of society the genius of man is continually adding to the efficiency of his own powers, and to that of the inanimate instruments which he provides to assist his labours; and from their united forces the great reservoir is continually receiving an augmented stream of material enjoyments. Their continued employment in the supply demands a continually increasing drain for enjoyment; and if those who command their mental and physical powers will employ them in nothing else but *pouring* in this increasing supply, they must continue to draw out for enjoyment. If we have inanimate machines enough to pour in all that we require for enjoyment from this great reservoir, we must find some other employment for the mental and physical powers of those

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who have nothing but the employment of those powers to depend upon for subsistence; and we shall, or our posterity will, find that these powers may always be made to contribute to the general happiness of society.

The character of the stream which flows into the great reservoir must be determined by the tastes of those who draw out for enjoyment, since to gratify these tastes is the great end and object of the supply. If our tastes be for raising pyramids, and to gratify this taste we limit all our other enjoyments to the simple necessaries of life, little more than the materials of these pyramids, and the rude produce of the land will flow in; — if, in the progress of refinement, we become fastidious, and will have nothing but the luxuries of foreign nations, we must employ our domestic funds and instruments in providing them with what they are willing to take in exchange. If our tastes be for consumable enjoyments, these only flow in — if for durable, these only are supplied. The tastes of one age or nation may be for statues, paintings, magnificent edifices, public exhibitions — those of another for perpetual changes of fashion in dress, ornaments, and furniture; for wines, spices, laces, and ribbons. The one is gratified in preserving the produce of creative genius and industry; and the other in destroying it: both are, however, enjoyments; and both give employment to those who have

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nothing but employment to depend upon. The one was the taste of the civilized nations of the ancient world, and of the commercial states of Italy, in the middle ages; the other is the taste of the commercial and manufacturing nations of modern Europe. The genius and industry which an English gentleman employs in his dresses and those of his family, might have furnished a Grecian or a Florentine gentleman's house with those beautiful statues and paintings that now astonish the world. "[illegible]," &c. &c.

But we must have a taste for something that the mental and physical powers of man can be made to supply, or those who have nothing but these powers to depend upon for subsistence will not find employment in the supply; and we must be content to enjoy these powers themselves instead of what they might produce. These powers may no doubt be made to contribute to the general happiness of society in efficient military, and police establishments, in theatres, concerts, and processions, as much as in great manufactories, and iron foundries, provided people have a taste for music, theatrical exhibitions, processions, &c. &c.; and they are all employed in just proportions, for the general good. But it is one among the follies of the present day, to argue, that we should employ all men in manufactures, while we should allow no man to enjoy the produce of them; and it is not surprising to find

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such *philosophers* come to the conclusion, that no society can suffer from the payment of tribute, in public taxes and private incomes, because this is the only way left for the society to relieve itself from the accumulating mass of material enjoyments, which every man would be producing, and no man consuming! *Earthquakes* might give some relief so such a society; but they come after such long intervals, and so very partially, that they could not be depended upon; and foreign states and absentees are very properly considered better things; though it may, perhaps, be doubted whether an Irish absentee would think it complimentary to consider him the mere volcano of his estate or county! — a mere destroying machine! That a taste for enjoyment is necessary to give employment in the supply of material things, was a conclusion of Doctor Smith,* in which all men seemed disposed to agree, till Mr. Ricardo and his school arose, to seize upon his incidental errors, to disprove his great and important truths. "Ensuite on volut," says Voltaire, "diminuer le luxe; ce qui dans un royaume rempli de manufactures, est diminuer l'industrie, et la circulation, et ce qui n'est con-

* Wealth of Nations, vol. i. b. i. chap. ix. p. 133. 140.; vol. ii. b. ii. chap. iv. p. 38. Montesquieu, Voltaire, Sir James Stuart, Malthus, Sismondi, Garnier, Say, — all thought a taste for enjoyment necessary to give employment in producing enjoyments; but they were all totally ignorant "*of the nature and functions* of the little deity, *Capital*." M'Culloch's Principles p. 114—375.

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venable qu'a une nation qui paie son luxe à l'etranger."

Nations that pay tribute, either to a foreign state in taxes, or to absentees in private incomes, must pay it in some enjoyment, or the materials of some enjoyment; and of what they pay, they must themselves forego the enjoyment. Nothing but the fallacy and sophistry of the schools can involve in obscurity a thing so plain. A nation that pays no such tribute is at liberty to enjoy within the bosom of its own society, either its own funds and instruments themselves, what these funds and instruments yield by the application of their powers, or what can be purchased with their produce from other countries. And shall the common sense of mankind be insulted by the argument, that the mental and physical powers of the human instruments in any society may not be made conducive to its happiness? Shall we be told, that whether these powers be employed for the benefit of the society that forms and supports them, or for that of a distant nation, is a matter of total indifference to such society? It is humiliating to think that such arguments should have been received with complacency in any nation in Europe; but it is more especially so, to find them urged in the very country which gave birth to the "Wealth of Nations," and the "Theory of Moral Sentiments" — a country consecrated by the memory of Adam Smith!

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Whatever flows into the great reservoir of floating capital, either from domestic funds and instruments, or, in public tribute or private incomes, from the funds and instruments of other nations, is the gross revenue of the society; and what is drawn out of this great reservoir for enjoyment, is the net revenue. This net revenue is less than the whole of what is drawn out by that portion which is taken to provide, maintain, and repair the brute and inanimate instruments, and the funds employed in the supply. That which is taken to maintain the rational instruments, forms a part of the net revenue or enjoyment of the society of which they form a part. If there is any truth in the foregoing reasoning, the only choice left to society is, to enjoy the instruments themselves, to drain out for enjoyment what these instruments can be made to pour into the great reservoir, or to send the instruments themselves into banishment, or what they produce in tribute to foreign countries; and the advocates for saving and retrenchment upon enjoyments at home, have come to the very *just conclusion*, that the only expedient left is to banish our men, and send our produce to absentees abroad. Irish absentees attend the lectures of Mr. M'Culloch; and the enemies to population attend the retrenching gentlemen in our senate; and between them our produce goes in tribute, and our men, the most efficient rational instruments that the world has ever pro-

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duced, are banished to the wilds of Africa. Posterity may think that Byron was right; and that symptoms of madness had been betrayed within the walls of more sober places than bedlam! *

In all modern and artificial societies, caprice and fashion are continually operating with new inventions and discoveries, to alter the value of different parts of the great mass of floating capital; reducing that of some, and raising that of others, through the medium of a diminution or an increase in the demand and supply. A change of fashion increases the demand for some, and diminishes it for others; the value of the one is increased, that of the other diminished, to the loss of those in whose possession it is left to stagnate. With the stagnation of the produce, there must be a stagnation in the employment of the instruments heretofore appropriated to the supply. Whether these caprices and fashions, whose changes alter the value of our annual produce, are at home or in the distant markets on which we have made ourselves dependent for demand and employment, the effect is nearly the same;

* Our great poet says, somewhere in Don Juan, I think, that if those who are in bedlam and those who are not were tried by an impartial judge, the former might sometimes be pronounced the most sober and sensible part of the community. Such a judge would, no doubt, pronounce all the Catholics to be quite mad; and perhaps he would feel himself obliged to pronounce the same judgment of three fourths of the Protestants; while the other fourth would be declared liable to occasional aberrations when discussing the subject of Catholic emancipation."

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and it is, I believe, found, that we are become a good deal too dependent for the employment of our people upon these fashions and caprices; and that a little change of tastes in European societies would be useful. The happiness of a society is not to be measured by its manufactures.

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CHAPTER V.

OUTLINE OF A NEW SYSTEM—CONTINUED.

THE fourth portion of the national stock comprises the enjoyments of the society after they have reached the possession of those for whose enjoyment they are destined. As already stated, this portion of the annual stock receives periodically as much as is periodically drawn from the great reservoir, surplus to what is employed in providing and maintaining the funds which yield, and the brute and inanimate instruments which assist in the production, preparation and distribution of our enjoyments. What the rational instruments enjoy is a part of the net revenue and enjoyments of the society of which they are members; and where they do not enjoy sufficient, the fault will generally be found among those who command the means of their subsistence, and make and administer the laws by which they are governed.* Their God has given them mental

* Profits, according to the new school, are all that mass of produce which these rational instruments give to the society, over and above what they receive for enjoyment. Rents, tithes, poor-rates, taxes, &c. are included, and England must be extremely well paid in *profits upon its stock*. M'Culloch's Principles, p. 221, 222, 366, 367. It is not surprising that all taxes should, by this school, be made to come from *profits*, when they are made a *component part* of them! Such are the inconsistencies arising from reasoning upon terms vague and undefined!

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and physical powers, which may always be employed to useful purposes, by those who command the means of their subsistence, and consequently the use of these powers. The affections which tend to an increase of our species are not a curse upon mankind, which the Deity must counteract by another curse — by famine, pestilence and civil wars — they are useful and necessary feelings, which are under the control of other feelings, that have been planted in our bosoms for purposes equally useful; and it is upon those other feelings, that those who command the means of subsistence, and make and administer the laws by which societies are governed, are required to operate, in order to check the tendency to too great an increase of our species. Instead of proving to men by arithmetical calculations and long dissertations upon *capital*, *wages* and *profits*, that they ought not to marry and beget children; instead of expecting that the individuals of the lower orders will sacrifice all their affections and hopes of happiness to a mere speculative benefit to the general interest, in which they can expect to share so little—rouse their self love, and make more of what they receive in wages necessary to their own personal comfort. Let them not hope, by eternal subdivisions of the land, that their progeny will, like Nebuchadnezzar, have the roots of the field to eat, and unlike him, live contented upon them. Give them, as in England, neat

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villages, parish churches, flourishing towns, markets, gentlemen's seats, fairs, public exhibitions, rational amusements, &c. &c., to which they will be invited in pursuit of pleasures, and in which their own vanity or self-love will make them appear well dressed. The rules of decency will demand more; and the rules of decency will be better enforced.

Is it not a species of madness—is it not reasoning upon false premises, to call Ireland an overpeopled nation, when a vast portion of her fine soil lies an unprofitable and uncultivated waste, demanding only the application of the mental and physical powers of man, to make it yield his enjoyments in exuberant abundance; and while what is cultivated might be made to yield double, treble, or quadruple what it now yields; and while four millions a year, of what it now yields for man's subsistence, is sent out in tribute? Call it *misgoverned*, call it *misguided*; but call it not overpeopled. The fault is in those who command the subsistence of the people, and those who make and administer the laws by which they are governed. Israel was overpeopled till David and Solomon brought, not *capital*, but good sound sense among the people! Is it not a similar species of madness, to argue, that a volcano upon every particular estate in Ireland, to receive and destroy the net produce; or a general volcano, to receive and destroy that of all the

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nation, would be just as useful in giving employment to the people, and promoting their happiness, as proprietors, who receive rents, and churchmen, who receive tithes? Is it to be supposed that the mental and physical powers of the millions that might be supported at home upon this net produce could not be made to contribute to the general benefit and happiness of society? Is there any unblushing proprietor of Irish land, or receiver of Irish tithes, now absent for mere purposes of pleasure, who does not feel disgraced by such an argument—who does not feel humbled in his own esteem, to learn, that, like a pestilence or a beast of prey, he is necessary only as an agent, to destroy a part of what his fellow-creatures and countrymen produce by their labours?

From the tone of liberal and benevolent feelings which characterizes the other writings of Mr. M'Culloch, it is not altogether improbable that his article in the Edinburgh Review was meant as an indignant satire upon the manner in which some monstrous proprietors and churchmen of Ireland live and spend their incomes, contrasted with the manner in which men live and spend their incomes in England and Italy; and the only manner in which we can well account for the admission of such an article into so able and liberal a publication, is, that the editor considered it in this light. Or perhaps, his honest indignation against those who had argued that Ireland wanted *nothing* but the re-

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turn of her absentees, induced him to admit an argument, however unsound, to show that what he thought an insufficient remedy was no remedy at all. To form a happy society, a taste for the enjoyment of the durable products of man's genius and industry must be blended with one for that of the consumable — and the taste for the consumable with a taste for the mental and physical powers of man himself, exerted not to produce commodities for our enjoyment, but to afford in themselves enjoyment. To a happy society a middle class is essentially necessary; and a middle class requires for its basis an independent property in the funds and instruments of supply. A taste for consumable conveniences, luxuries and elegancies, tends to create that independent property in the material and intellectual stock of societies; and to diffuse more generally through the great mass of the people the independent claims upon it. It operates, too, very generally among the lower orders, in stimulating to enjoyment upon their own persons, and rousing that feeling of self-love, so necessary to furnish a salutary check to marriage and excessive population. A poor man may, at an humble distance, imitate a rich man in a taste for a great variety and frequent change of dress, ornaments and furniture, when he could not in a taste for any great and durable object of enjoyment; and his desire to enjoy his means upon his own person must,

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more or less, tend to prevent his having a family to deprive him of them. By exciting emulation, and imitation, such a taste contributes to the cleanliness, decency, and substantial comforts of the great mass of the people. A taste for the durable objects of enjoyment is not, however, confined to the grand and expensive kind; and it often spreads and finds a place in the cottage of the humblest peasant. There is not, perhaps, a cottage in England, notwithstanding the prevailing taste for consumable enjoyments among the great, where some article of mere luxury and great durability may not be found.

A taste for the great and magnificent works of art must always have a tendency to concentrate people; and consequently to enforce the rules of decency in society, and to augment that portion of enjoyments which these rules require men to bestow upon their own persons. The man who employs his revenue in the formation and support of a great work, useful and ornamental to his own particular estate, to the seat of his residence, or to his country in general, always admits to a participation in his enjoyments a circle of society more or less extended, beyond that which he admits to consume his revenue in his table, his dress or his equipage. By such works a man often forms a salutary link to unite the feelings of all classes of the society: by them the great might give almost whatever tone of feeling they

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pleased to the multitude; and, thereby contribute to the peace, order and happiness of society. How little did we attend to this when we raised and decorated among the fierce but generous Irish the statue of a sovereign, which we might have beheld with veneration, but which they found associated with nothing but painful and humiliating recollections! The Saracens accused Peter the hermit of injustice, in having excited the people of Europe to the Holy war, by the picture of a Saracen's horse, astride for an unseemly purpose, upon the holy sepulchre, which he knew they venerated almost as much as himself. His object was to rouse to war, and his picture, if he had such, was useful for his purpose. Our object was to calm to peace; and for this purpose our statue could not surely have been useful. If our object had been civil war and discord, a more sufficient instrument could hardly have been found.

A taste for the mental and physical powers of man, exerted, not to produce in material substance, but to afford enjoyment, has in all stages of society been found extremely useful.* There are, no doubt, exceptions to the general rule. The tastes of the Romans for gladiatorial exhibi-

* I consider the decay of the innocent sports and pastimes among the lower orders in England to be a national evil, as it tends to diminish their happiness. Schools and colleges in which they may learn to *wrangle* with each other about religion and science, will not supply the place of those innocent sports in which they learned to unite their feelings in one common bond of sympathy and pleasure.

tions we justly abhor; and those of the Spaniards for their bull fights, give us disgust: but music and theatrical exhibitions have in all nations tended to harmonize the feelings of society; and if a thousand Irish absentees would return to their country, and raise and support a thousand theatres and concerts upon their revenues, they would make themselves useful; and be no longer considered as so many volcanic eruptions upon the face of one of the finest countries in the world.*

That portion of his net revenue which the labourer requires to maintain him in a state of efficiency, according to the rules of decency in the society, is at the same time serviceable to him in the functions of a capital, from which he gets a return in his wages. For his wages he depends upon the employment of his mental and physical powers; and the means which his own physical wants, the cultivation of his mental powers, and the rules of public decency, require him to employ, in maintaining them in a state of efficiency, are his capital. These means may be his own, or they may be borrowed from another. In the first case, he has at his own disposal all his returns in wages — in the second, out of these returns he must fulfil the claim secured upon him by the lender. Thus a part of the net revenue of every society is actually performing the functions of a

* See the sensible notes of Mr. Prinsep in his translation of M. Say's works, vol. i. p. 335, 336. 339.

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capital to those who enjoy it, and at the time and place of enjoyment. Another part performs the functions of a capital to those who enjoy it, and also to those from whom they have borrowed it — and a third is continually changing its destination; and taken from the great mass set aside for enjoyment, is sent back to perform the functions of a capital, either in the great reservoir of floating capital, or among the instruments which compose the fixed capital. Plate is from parsimony or necessity sent to the Mint, and becomes an instrument of circulation — statues, pictures, books, dresses, &c. &c. are sent to the auctioneer's or the pawnbroker's — travelling and visiting carriages are converted into stage coaches — jaunting cars to dung carts — parks and flower-gardens to grazing grounds and corn fields — racers and hunters into plough and cart horses — pleasure yachts to trading vessels, and palaces into workshops and manufactories!

The parsimony or necessities of some are thus continually throwing back upon the national *capital*, what had been withdrawn from it for enjoyment; and let us suppose, that all the members of a highly civilized and luxurious society were at once to become parsimonious; and to send back all at once upon the mass of capital, seeking profitable employment, all that they and their ancestors had set aside for enjoyment; would it not be extremely absurd, to suppose

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that the whole would find profitable employment —that the whole would find borrowers willing to incur a claim upon themselves, to the amount of profits undiminished, while assured that the laws would rigorously enforce the claims so secured?

In every society there are some who lose all consideration for the future, in an irresistible desire for immediate enjoyment; while there are others who lose all desire for immediate enjoyment, in their anxiety to augment their future incomes, or those of their posterity. The landlord mortgages his estate, and becomes a beggar, while the parsimonious steward has managed to purchase his estate by savings made out of the wages he has received from him. One man has changed places with another in the society — he who had nothing but the employment of his mental and physical powers to depend upon, is become the proprietor of a large estate, and ascends to the higher ranks; while the proprietor of a large estate and receiver of large rents, is reduced to a dependence upon his mental and physical powers, and descends into the lower. These changes are continually taking place in every society.

We retrench prudently or parsimoniously upon our immediate enjoyments, and employ what we save with a view to profits—not by accumulating that of which we forego the enjoyment, but by assigning the command we have upon enjoyments

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to some other; and thereby securing directly or indirectly a claim upon his returns. Whether he to whom we assign the command has employed it profitably for himself or not — whether he has informed or improved a fund or instrument by its means, or has by its employment secured a claim upon one, and thereby enabled himself to fulfil that which we have secured upon him — or whether he has squandered it in pleasure, or wasted it in idleness, is commonly a matter of little consideration to us, so long as we feel assured that he has the means to repay us, and that if he has not the will to do so, the laws will impose upon him the necessity. The landlord for the services of his steward assigns to him a claim upon the annual returns in the amount of his wages and his perquisites; the prudent or parsimonious steward, instead of drawing to that amount from the great reservoir for enjoyment, reassigns it to the landlord; and feeling secure that the landlord can and must fulfil the claim thereby secured upon him, he presumes not to enquire into the mode of its expenditure — whether he purchases another estate, or stocks another farm with it, or whether he gives with it a feast or a masquerade.

As I have already stated, the society which depends entirely upon its own domestic resources for supply, may, with regard to the claims upon the annual returns from its funds and instruments, be considered as divided into four classes.

1. Those who claim a portion of them as the rent of their land, mines, fisheries, saltpits, or other appropriated funds employed in the supply.

2. Those who claim a portion as the profits of their stock invested in the appropriated funds themselves, or in the instruments of production, preparation or distribution.

3. Those who claim a portion as the wages of their labour, mental or physical, employed as an instrument of production, preparation or distribution.

4. Those who command a portion in fulfilment of claims directly or indirectly secured upon the funds of the first, the stock of the second, or the labour of the third.

In such a society, depending entirely upon its own domestic resources, the funds or sources of the first class, the stock of the second, and the labour of the third, must, as I have also stated, be considered as the original sources of all revenue public or private. The revenue of the first three classes may, after Doctor Smith, be properly termed *primitive revenue*, not because it is the source, as he supposes, of all other revenue, for that is not the case; but because it is derived immediately from the three original sources of all revenue, as the returns to an independent property in them. The taxes imposed upon the funds and instruments, are derived directly from them, in the same manner; and are paid ultimately by the

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consumer in the same manner; and when shifted off upon the consumer, are not *derived* either from the rents of the first, the profits of the second, or the wages of the third; and yet must be considered under the head of *derivative revenue*. They are derived from a *public* claim upon the funds and instruments, and not, like the primitive revenue, from an independent property in these funds. But whether these terms are or are not strictly applicable is a matter of no importance, as no conclusion in this work will be found to rest upon the use of these terms.

The revenue of the fourth class may as properly, after Doctor Smith, be termed *derivative revenue*; not because it is, as he supposes, derived from the revenue of the other three classes, since this is not the case; but because it is derived from a claim directly or indirectly secured upon the original sources, or the funds and instruments of the society, and not from an independent property in them.

This fourth class, which is subsisted upon derivative revenue, is in all civilized societies divided into two orders. First, those who derive their incomes from the three original sources of all revenue, in fulfilment of claims secured upon them *privately*. Second, those who derive their incomes from these original sources of all revenue, in fulfilment of claims secured upon them *publicly*, or through the medium of the govern-

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ment. The man who lends his means to a landlord, farmer or husbandman, is, for example, of the first order. He has secured a claim *privately* upon the land of the one, the stock in instruments of the second, or the labour of the third; and the interest he receives is paid in fulfilment of that claim. But the man who contributes to a government loan, is of the second order. He has secured a claim upon one or more of the three original sources *publickly*, not *privately;* and the interest he receives in fulfilment of that claim, is levied and paid through the medium of government. Both are, however, commonly supposed to have capital stock employed somewhere in the society; though, perhaps, what the one lent to an individual disappeared immediately in the fireworks of a wedding day, and what the other lent to government vanished with equal rapidity in the greater fireworks of a battle: the one might have been consumed in the great actions of Trafalgar and Waterloo — the other in the illuminations which testified the nation's joy [illegible].

The public creditors of the nation are supposed to have eight hundred millions of capital stock employed. It is, no doubt, employed *productively* to them, since they receive a profit upon it, of thirty millions a year; but it would be difficult to trace its investment in the funds and instruments upon which their claims have been secured, and from the employment of which that claim is

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annually fulfilled. Our public creditors, as will be explained in a future book, are nothing more than one great public establishment, added to all the other public establishments of the nation. They have bought their commissions, it is true, and so have many of the members of our ecclesiastical, military and political establishments. But it would be no less difficult to trace the investment in funds and instruments of the stock by which claims have been secured upon them to the same extent *privately*, and in fulfilment of which interest to the same amount is now paid. What one man lends to government and another to an individual, is a certain command over the funds, instruments, and floating capital of the nation — a claim expressed or represented by money. A claim is secured by the loan upon the returns of known individuals in the one case, and upon those of the nation in general in the other; but whether the one borrower invests the means in funds and instruments, or enjoys them among his family and friends, and the other forms out of them a canal, or fits out with them an army, it is not the duty of the one or the other to enquire; or at least, neither of them feels it to be his duty, as long as he has sufficient assurance that the claim will be fulfilled.

Doctor Smith has justly observed, that private lenders commonly consider the actual employment of what they lend more than those who lend

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to government.* They are under the necessity of doing so, since the payment depends upon the means of the individuals to whom they lend; whereas the government, if it finds one set of men, or funds and instruments unable to fulfil the claims, transfers the burthen upon another set; and if all the funds and instruments of the present generation cannot pay, it transfers the burthen of the payment upon those of future generations. The payments of the one may cease from accidents of every day occurrence — those of the other from such only as do not occur in the course of centuries—revolutions, invasions and civil wars. The real stock transferred is the portion of the national stock which the money lent commands— the money lent is merely the conventional sign, which expresses or represents the command. It may the same day, the same hour, or even in the same minute, express in other hands a command to the same extent. In the same day the same money may represent fifty times the same command over the same portion of the great mass of floating capital; and all the several portions may be drawn out and consumed with the same rapidity, while the money remains precisely the same, and continues to discharge the same functions. At one time it may be drawn out in lace, and fancy dresses — at a second in gunpowder, soldiers' coats and musquets; in a third in naval

* Wealth of Nations, vol. iii. b. v. chap. iii. p. 431.

stores and rigging — in a fourth in manufacturing and agricultural provisions and materials — in a fifth in goods for exportation; and so on through a thousand different shapes, and for a thousand different purposes known to civilized society. The money itself is neither consumed in enjoyments, nor built into ships, nor fired off in our musquets; and yet in talking and reasoning upon the subject of public expenditure, men commonly argue as if it were so. "Before a guinea can "travel from London to York, it may be the "means of consuming a thousand times its value; "and as much more before it can return again to "London." *

The slave of many an Indian prince has by lending to his master, with a view to profit, the money he has received from him in wages, gifts and interest, secured upon him a claim to the whole amount of the revenue of his dominions, without any increase or decrease whatever in the quantity or efficiency of the funds and instruments they contain: the prince loses, and the slave gains; but the death of either balances the account. The profit or interest of the slave must be commonly in the inverse ratio to the security and duration of the claim; and the security and duration of the claim of a slave upon his prince being very little indeed, the rate of profit or interest must of course be enormous.† If we come in

* Sir Charles Stuart, b. ii. chap. 27.

† I do not use the term *slave* in its literal sense — I mean merely the servant of a despot.

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with our English laws and powers, to enforce the claims of the slave and his posterity, upon the prince and his, we give to the one what is not his due, and take from the other what he does not owe. I pretend not here to say that we have done this, though the reader may find my reasoning sometimes applicable to our measures.

The two orders of the last of the four classes into which I have considered the society as divided, both derive their revenue from a claim secured directly or indirectly upon the funds of the first, the stock of the second, and the labour of the third; and both orders draw their incomes under the denomination of rents, profits and wages, though they have, or may have, neither funds, stock, nor labour actually employed in the supply. The contributor to a government loan, as well as the private creditor, draws the interest of what he has lent on the profits of his stock. The judge upon the bench, who is paid in taxes, as well as the counsel at the bar, who is paid by individuals — the bishop as well as the private chaplain — the secretary of state as well as the secretary of a private gentleman — the commander of a man of war as well as the commander of a pleasure yacht — the soldier who goes to battle at the command of his sovereign as well as the prize-fighter, who enters the ring at the desire of the *gentlemen of the fancy* — all draw their incomes as the wages of their labour; and all give the use

of their mental and physical powers for their wages.

But, however indirectly their rents, profits or wages may be derived from the three original sources of all revenue, they are equally liable to be affected by taxes as the rents, profits and wages, which compose the primitive revenue of the first three classes of society. They are all liable to have their incomes diminished by taxes in the acquisition — between the acquisition and the expenditure—or in the expenditure itself. A portion may be taken from what they have to receive, and they will receive less — a portion may be taken of what they have received, and they have less to spend in enjoyments; or taxes may be added to the price of enjoyments, and their incomes will purchase less. In the capacity of consumers all must contribute to the payment of taxes, added to the price of articles they consume; whether the incomes with which they purchase them are of the *primitive* or derivative class of revenue. It is, therefore, erroneous to suppose, that taxes must all be paid by the incomes which compose the *primitive* class of revenue; and to argue, that if they do not fall upon the rent of the lands and other funds actually employed in production, they must of necessity fall upon the profits of the stock or the wages of the labour so employed; and that if they cannot fall upon the wages of the labour so employed,

they must, of necessity, all fall upon the profits of the stock so employed. This is a conclusion drawn from false premises; and the fallacy involved in the proposition, arises from confounding the wages, profits and rents of the first three classes, with the wages, profits and rents of the fourth class.

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Printed by Littlewood & Co., Old Bailey.

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